

The Decline of Employment in Manufacturing and its Implications for the UK Economy



Employment in the UK

The latest figures from the Office of National Statistics (ONS) show that in November 2005 employment in the UK economy was divided as follows:

Private Sector	23.048 million
Public Sector	5.826 million

Over the year there were increases in employment in:

Education, Health & Public Administration	1.6%
Finance & Business Services	1.6%
Construction	3.5%

However these increases were off set by a decline of 3.6% in manufacturing.

Employment in Manufacturing

Even to the most casual economic observer it cannot be disputed that there has and continues to be a decline in employment in manufacturing. According to the figures from the ONS the number of people directly employed in manufacturing has fallen to its lowest level since comparable records began in 1978.

This decline is masked in terms of the unemployment figures as new jobs are created. However these new positions are more likely to be part time in service industries such as call centres, internet services and retail outlets or in those more ephemeral trades like advertising, marketing and the media.

Despite this overall trend manufacturing is crucial to the country's prosperity, now and into the future:

- Manufacturing is a sixth of the economy
- It's vital for our trading position - being responsible for around two-thirds of all UK exports
- As well as generating in the region of 3 million jobs directly - it supports a further 2 million in the service sector.
- It's responsible for around 75% of business research & development
- It's a key generator of productivity in the wider economy, through introducing new products and processes.

The TUC argues that, "manufacturing matters because of its importance to international trade, and because large scale manufacturing closures cause social dislocation as well as have an adverse economic impact."ⁱ

Globalisation

The global market for manufactured goods is expanding. Simultaneously the industrialised countries of Western Europe and North America are facing increasing competition from lower cost producers around the world.

The future of UK manufacturing depends on raising investment, and applying science and innovation, best practice and skills to create even better products.

Long Term Implications for the UK Economy

In order to sustain a competitive advantage in the global market place, it is imperative that the UK has a mixed economy that is not reliant on any single sector.

The condition of UK manufacturing has implications across all sectors of the economy. A strong manufacturing sector provides the foundation on which the rest of the economy grows. Likewise the decline of manufacturing will have a considerable knock-on effect for the rest of the economy.

If employment in the UK economy becomes reliant on the 'service' sector long term economic growth will be unsustainable – as earnings and the growth of earnings in that sector will be insufficient to stimulate the economy.

According to the ONS the headline rate of growth in average earnings for the whole economy in November 2005 was 3.4%, down from 3.6% in the previous month. Despite the overall decline average earnings growth in manufacturing increased to 4.5% from 3.4% in the same period, whilst the public sector headline rate remained static at 4.1%.

Across the whole economy earnings are growing at a slower rate than they were a year ago.

The Amicus Campaign

Amicus continues its campaign to support the manufacturing sector in the UK. The Government needs to be encouraged to take account of manufacturing when making macro economic policy decisions. It also needs to be encouraged to adopt policies that will ensure that a workforce with sufficient skills and training is available. This will ensure that the UK manufacturing base can continue to compete in the global market place.

ⁱ TUC – An Industrial Policy for the United Kingdom