How do places re-emerge when dominant industries decline?

Supporting the development and levelling up of local economies is particularly challenging when dominant industries decline. The economy is constantly evolving, meaning places need to be flexible and adaptable to witness continued growth and prosperity over time.

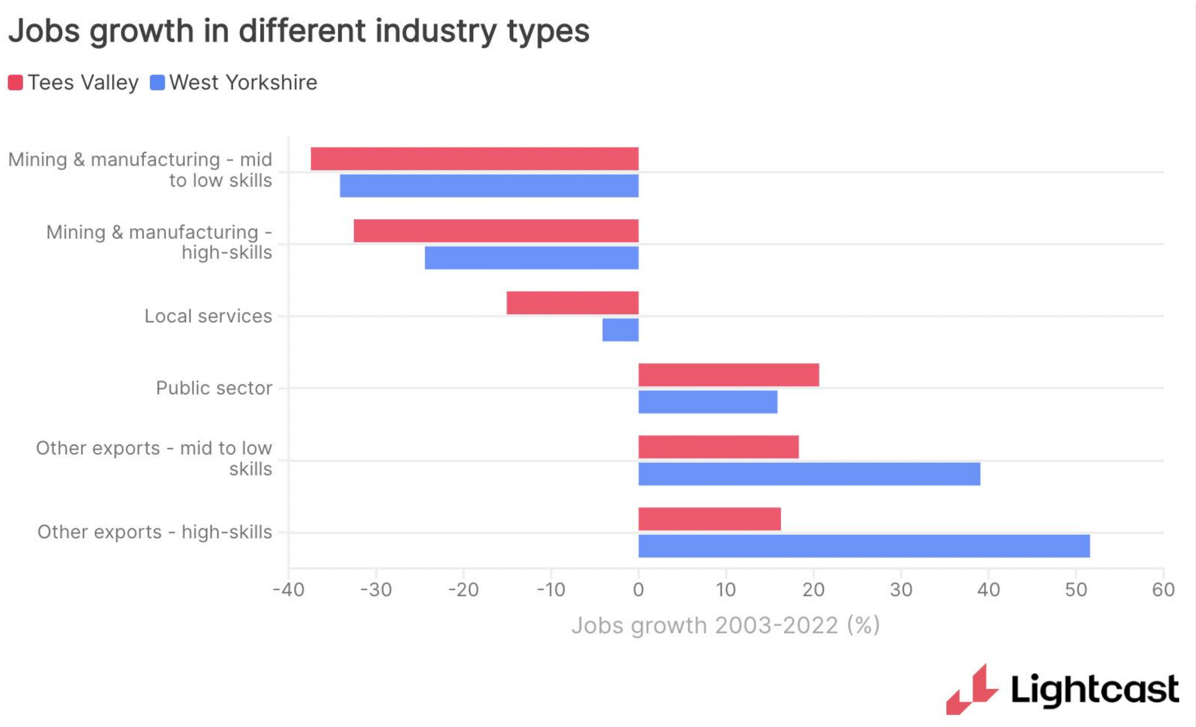
This is not a new challenge. Over the last century, the UK's economy shifted towards a high-value, knowledge-intensive, economy. Starting from the 1980s, many areas experienced a decline in jobs in mining and manufacturing – their dominant industries – and had to find new ways to generate economic growth. How they adapted to these changes still affects their economic performance today.

Looking at the numbers for the past 20 years shows that – on average – having many jobs in a declining industry negatively affects a local economy. In this case, the places with the largest share of jobs in mining and manufacturing at the beginning of the century grew at a slower pace than other parts of the country.

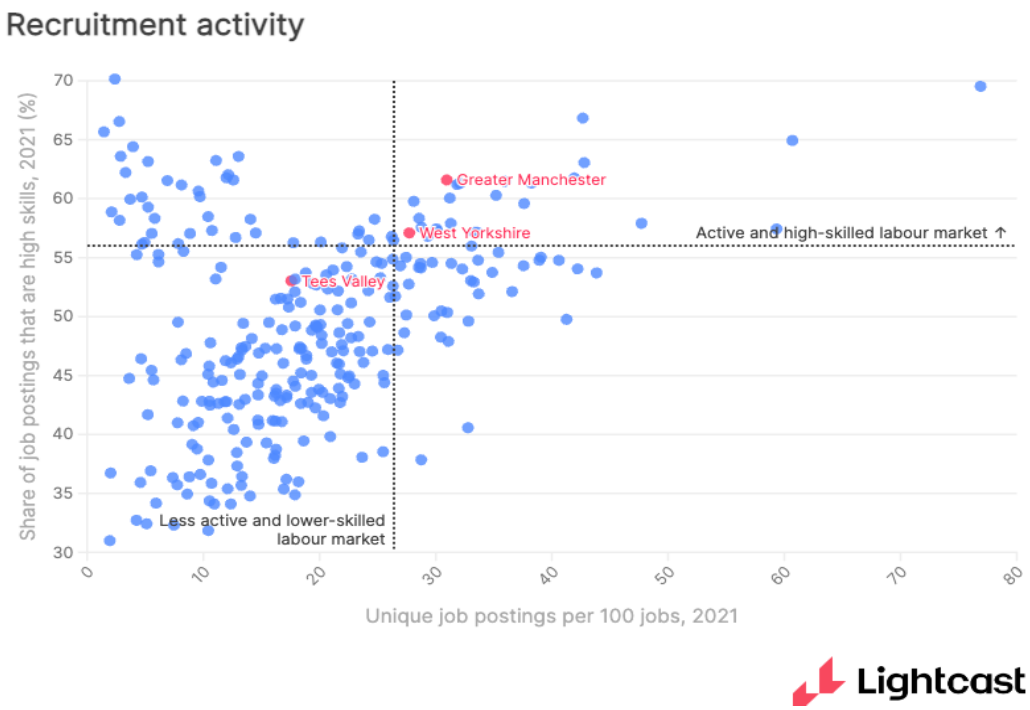
However, not every place behaved in the same way. Take the Tees Valley and West Yorkshire combined authorities for example: in 2003, they both had a large share of jobs in mining and manufacturing (15% and 14.6% respectively, compared to a national average of 7.7%), yet despite the decline of these industries, over the past 20 years the number of jobs in West Yorkshire grew by 8.8% while it declined by 0.7% in Tees Valley. And West Yorkshire is not an isolated case – Greater Manchester too experienced fast jobs growth over the past 20 years (+15.6%).

The question here is then, why, despite a similar starting point, some places have been more successful than others in reinventing their economies? By continuing with the Tees Valley and West Yorkshire example, the figure below (on page 2) helps answer this question.

As mining and manufacturing jobs in both places declined, West Yorkshire started a transition to a high-value, service-led economy, and saw a sharp rise in high-skills, high-value jobs (+51%). In contrast, high-skills, high-value jobs only grew by 16% over the same time period in Tees Valley while other lower value activities in other exporting industries and public sector jobs grew faster (by 18% and 21% respectively).



The legacy of the past 20 years of economic growth – or lack thereof – is still visible in today's labour market. [Recent analysis](#) carried out by Lightcast on levelling up shows that recruitment activity in Tees Valley over the past year has been less intense than in other parts of the country and with fewer job postings related to high-skills occupations (see figure below). In contrast, both West Yorkshire and Greater Manchester have more active labour markets with a larger share of high-skilled job postings.



To support the economic development and levelling up of places that have seen a decline in their dominant industries, long-term investment is needed. Looking at more recent examples of how the decline in a dominant industry affects a local economy, Tees Valley is a case in point: in 2015, the area lost its major steel plant, causing the loss of over 2,000 jobs locally and forcing local and national policymakers to identify other ways to generate growth and jobs for the area.

On 6th October, I will be at the 2022 IED Annual Conference with Julie Gilhespie, Group Chief Executive at Tees Valley Combined Authority, to talk about their plans to support Tees Valley to re-emerge from the decline in its steel industry. Join us and many other local and national policymakers to discuss what type of interventions can help places grow and prosper.

Elena Magrini is Head of Global Research at Lightcast, one of our IED Annual Conference 2022 sponsors. Book your place here.