The Changing Economic World - Economic futures in the UK

1. Causes of economic change

What is primary industry?
Harvesting raw materials from the land and the sea. This includes agriculture, fishing, forestry, mining.

What is secondary industry?
Manufacturing (making things) in factories.

What is tertiary industry?
Providing services such as healthcare and education, working in retail etc.

What is quaternary industry?
These are also called the knowledge industries and are based around knowledge and high tech.

How has the UK economy changed?
Before 1800 most people in the UK worked in farming and mining (Primary industry)
During the nineteenth century came the industrial revolution when many people moved to the cities to work in factories (secondary industry.)
During the last few decades factories have closed down (called de-industrialisation) and most people now work in the service sector (tertiary industry)
Most recently there has been the development of quaternary industry.
The Changing Economic World - Economic futures in the UK

1. Causes of economic change

Why have these changes happened?

A) Why has the UK experienced de-industrialisation? What is the AQA definition of this?

The decline of a country's traditional manufacturing industry.

The reasons for this are:

1. The exhaustion of raw materials. In the UK, a key raw material was coal. During the twentieth century, the number of coal mines declined from 3000 to 30 with the last ones closing in 2015. In the UK though these closed down due to declining demand as industries moved abroad rather than exhaustion so this was not a big factor in leading to de-industrialisation.

2. Loss of markets: Lack of investment, high labour costs and outdated machinery led to British products becoming too expensive and not able to compete with cheaper products abroad.

3. Competition from NEEs: Cheaper land and labour were available in NEEs so they could make cheaper products. Many British factories relocated to NEEs to take advantage of this leading to the decline in British manufacturing industry.
1. Causes of economic change

B) How is the UK economy changing due to globalisation?

What is globalisation? AQA definition:
The process which has created a more connected world, with increases in the movements of goods (trade) and people (migration and tourism) worldwide.

This is the way that business, ideas and lifestyles spread rapidly around the world. An example is more UK business operate abroad and more businesses in the UK have foreign owners.

For the UK economy to thrive we need to be part of the global economy.

Positive changes to the UK economy caused by globalisation:

• In most years the British economy grows due to trade with the rest of the world.
• Many of our goods are cheaper because they are made abroad.
• Foreign companies invest in the UK, bringing new ideas and technology.
• We can specialise in high value production which means workers are better paid and we make more money.
• People migrate to the UK for work - this fills jobs and boosts the economy.
The Changing Economic World - Economic futures in the UK

1. Causes of economic change

B) How is the UK economy changing due to globalisation?

Negative changes to the UK economy caused by globalisation:

- As manufacturing moves abroad, factories close and jobs are lost.
- Jobs can now be outsourced (done from other countries) This means loss of jobs or lower wages in the UK.
- Inequality is increasing. The gap between low paid unskilled work and well paid skilled work is increasing. It is hard for low paid workers to get better pay when jobs can be outsourced.

C) How do government policies lead to economic change.

The government has tried to influence the economy in different ways at different times.

1945-1979 government propped up declining industries but gradually they closed down due to competition from abroad. The 1970s saw factory closures and social unrest.

1979-2010 Privatisation saw state run companies sold to private companies. Many older industries closed down and many jobs were lost but private companies brought innovation and change and new office and financial centres replaced old industrial areas.

Since 2010, The government has tried to rebalance the economy by supporting manufacturing through improving infrastructure, investment and giving loans to small businesses.
What is a post-industrial economy?
The economy of many economically developed countries including the UK where most employment is now in service industries.

This involves the development of...
- Information technology.
- Service industries
- Finance
- Research
- Science and business parks.
1. What is information technology?

Computer, internet, mobile phone and satellite technologies - especially those that speed up communication and the flow of information.

The use of IT is one of the main reasons why we have moved to a post-industrial economy.

- Computers allow large amounts of data to be stored and accessed quickly.
- The internet allows people to communicate instantly across the world.
- Technology continues to develop rapidly and will continue to do so into the future. e.g. high speed broadband.
- Most people can now access the internet using smart phones and tablets.

This has led to the following changes in the UK economy:

- Internet access allows people to work from home.
- Many new businesses are not directly involved with IT e.g. manufacturing hardware and designing software.
- Increasing numbers of people work in IT - currently 1.3million.
- The UK is one of the leading digital economies, attracting businesses and investments from abroad.
2. Service Industries:
The service sector has grown rapidly since the 1970s. 1948 46% of UK’s economic output. Today - 79%

AQA definition of the service sector:
The economic activities that provide various services - commercial (shops and banks), professional (solicitors and dentists), social (schools and hospitals), entertainment (restaurants and cinemas) and personal (hairdressers and fitness trainers).

3. Finance.

Finance is an important part of the UK’s service sector. This includes...
Banking, insurance, fund management.
The UK is the world’s leading centre for financial services with the city of London and Canary Wharf at its heart.
The financial services sector accounts for about 10% of the UK’s GDP and employs over 2million people.
The Changing Economic World - Economic futures in the UK

2. Moving towards a post industrial economy.

4. Research:

This is part of the quaternary knowledge sector.

It contributes over £3 billion to the UK economy each year and employs over 60,000 highly qualified people.

Research is done by...

British Universities such as Oxford and Cambridge

Private companies

Government departments such as the Ministry of Defence and the Environment Agency.

Research is likely to remain a growth area in the British economy.

Example:

BAS - the British Antarctic Survey based in Cambridge employs over 500 highly trained people.

It's research in Polar regions is helping us to understand climate change through studying ice cores for example. BAS was responsible for identifying the hole in the ozone layer in the 1980s.
The Changing Economic World - Economic futures in the UK
2. Moving towards a post industrial economy.

5. Science and business parks.

What is a science park?
A group of scientific and technical knowledge based businesses located on a single site. Most are associated with universities, enabling them to use research facilities and employ skilled graduates.

There are over 100 in the UK and they employ 75,000 people.

Example:
Southampton Science Park - strong links with the University of Southampton and home to companies such as...
Fibrecore who manufacture optical fibres and Photonstar who specialise in lighting.

Benefits of working there -
• graduate employees nearby,
• attractive location - green areas and woodlands,
• meeting rooms, coffee shops, nursery, high speed broadband,
• excellent transport links - close to M3.
5. Science and business parks.

What is a business park?
An area of land occupied by a cluster of businesses.
Usually located on the edge of towns because...

- Land tends to be cheaper
- More land is available which allows expansion.
- Easy access for workers using motorways which means less traffic congestion than in a town centre.
- Businesses can benefit by working together.

Example: Cobalt Business Park in Newcastle.
Because the area suffers from economic decline, businesses locating there get government assistance,
2015 Siemens moved in, joining companies such as IBM and Santander.
There are retail outlets and green space.
The park is close to the main A1 road and 20 minutes form
3. Impacts of industry on the physical (natural) environment

Impacts of Industry on the Physical environment:

• Manufacturing plants can be dull and have a negative visual impact on the environment.
• Industrial processes can cause air and water pollution as well as degrading the soil.
• The waste products from manufacturing are often taken to landfill and when in the ground the can pollute and harm the air, water and soil.
• Transport of raw materials to manufacturing plants and products away from the plants is usually by road which leads to air pollution as vehicles emit carbon dioxide and other poisonous gases.

How can we make industry more sustainable?

• Technology can be used to reduce the harmful emissions from power stations and factories.
• Desulphurisation can remove harmful gases such as sulphur dioxide from power station chimneys.
• Stricter environmental targets can be put in place for industry on water quality, air pollution and landscape damage.
• Heavy fines can be imposed when an industrial pollution incident occurs.
What is a quarry?

A location where stone is dug out of the ground for use in construction or industry.

How can quarrying harm the environment?

- Destroys natural habitats.
- Pollutes nearby rivers and streams.
- Leaves a visual scar on the landscape.

Today there are strict controls on quarrying because of the concern for the environment. Companies are expected to restore or improve a quarry after it has been used by using it for landfill, housing agriculture or habitat creation.

While in operation there are strict controls on blasting, removal of dust from roads and landscaping. Recycling is encouraged.
The Changing Economic World - Economic futures in the UK
An example of how modern industrial development can be more environmentally sustainable. Torr Quarry in Somerset

Torr Quarry is a limestone quarry in the Mendip Hills in Somerset. It employs 100 people and contributes £15 million to the local economy every year.

Ways in which activities are sustainable:

Three quarters of its output is transported by rail which is less polluting than vehicles.
The quarry is being restored to create wildlife lakes for recreation and water supply.
Limestone features will be created to make the landscape look natural.
200 acres have already been planted with trees and grass.
There is regular monitoring of noise, vibration, dust and water quality.
Rail transport lessens the impact of traffic on the local area.
Operations at the quarry have been extended until 2014 through a plan to deepen the quarry. This has less impact than widening the quarry.

Overall, in the past, quarrying has been hugely damaging to the environment because of its visual impact on the landscape and habitats, however the Torr Quarry in Somerset illustrates how this industrial activity can be operated in a sustainable way with careful monitoring and restoration of habitats once the quarrying activities are finished.
You need to know about social and economic changes in the rural landscape in an area of population growth and an area of population decline.

RURAL = COUNTRYSIDE

1. Social and economic changes in a rural area experiencing population growth: South Cambridgeshire.

The population of 150,000 is growing due to...

- Migration into the area from Cambridge and other parts of the UK as people look for a different pace of life in the countryside.
- Many of the migrants are older seeking to retire to the countryside.
- Migration of people from Eastern Europe coming in search of work in this growing area.

Social changes as a result of population growth:

- 80% car ownership is leading to increased traffic on narrow country roads and reducing demand for public transport.
- Modern developments on the edges of villages can change the community feel of villages.
- Young people cannot afford the high house prices and have to move away.
Economic changes in a rural area experiencing population growth (South Cambridgeshire)

• Many of the people moving in commute to Cambridge or London and use the shops there. This means that local village services are struggling.
• Farmers sell off land for development leading to a decline in agriculture.
• There is a lack of affordable housing.
• Petrol prices rise due to the high demand.
• The increasing numbers of migrants from Eastern Europe can put pressure on services.
• However, there is low unemployment as increasingly large numbers of highly educated and skilled people are moving into the area to work in high tech industries such as computer software.
2. Social and economic changes in a rural area experiencing population decline: The Outer Hebrides.

The Outer Hebrides is a remote island chain off the west coast of Scotland, the largest island is called Lewis. Population of 27,400 people today down from 46,000 in 1901. This decline is due to young people moving away looking for better opportunities.

Social changes in a rural area experiencing population decline (Outer Hebrides):
- The number of school children is expected to fall over the next few years resulting in school closures.
- As many younger people move away, there will be less people of working age and an ageing population.
- This may lead to care issues in the future as there are not enough younger people to support the older generation.

Economic changes in a rural area experiencing population decline (Outer Hebrides):
- Many services are closing such as ferries and post offices as there is no longer the demand to keep them open.
- Farming and fishing are in decline. By 2013 there were only a few boats left catching prawns and lobsters.
- Tourism is a growing industry but the current infrastructure cannot cope with the number of tourists that would be required to provide an alternative source of income so at the moment any growth is limited.
Improvements in transport have enabled the UK’s economy to grow and develop and it is important that this continues into the future.

Infrastructure projects provide both jobs during their construction and allow growth in more remote areas of the UK.

1. Road Improvements:
   - 2014 - £15 billion government road investment strategy. New road schemes will create thousands of construction jobs and boost local and regional economies. Plans include:
     - 100 new road schemes by 2020.
     - 1300 new lane miles added to motorways and trunk roads to ease congestion.
     - Extra lanes added to motorways to create “smart motorways” (This has already happened on the M25 around London)
     - Improve road links between London, Birmingham and the north.

Example:
The south-west superhighway - £2 billion road widening project to turn main road link between London and the south-west into a two land road. It includes a 3km tunnel under Stonehenge!
The Changing Economic World - Economic futures in the UK
5. Improvements and new developments in road and rail infrastructure.

2. Rail improvements:

There are plans to stimulate economic growth in the north by improving the rail network:

- Electrification of the Trans-Pennine Express Railway between Manchester and York by 2020 reducing journey times by 15mins.
- Electrification of the Midland mainline between London and Sheffield by 2023.
- HS2 (High Speed 2) £50billion plan for a new high speed rail line to connect London with Birmingham and then to Sheffield, Leeds and Manchester. Due to be completed in 2033.

Advantages of HS2:
- Create 000s of jobs in the Midlands and north where deindustrialisation has led to a loss of jobs.
- Generate £40billion for the UK economy.
- Will increase numbers of people travelling by rail and make transport more sustainable.

Disadvantages of HS2:
- More likely to create jobs in London as it will be easier to commute there.
- Goes through many areas of countryside and near people’s homes.
- Arguments that existing rail services should be improved instead.
3. Ports.
The UK port industry is the largest in Europe because of our coastline.
Examples Tilbury, Dover, Felixstowe
32 million passengers travel through UK ports each year and they employ 120,000 people.
The UK’s largest ports are run by private companies who invest heavily in them.
Example:
A new container port is being constructed in Liverpool called Liverpool2. Has doubled the ports capacity to deal with containers to compete with other UK ports. Liverpool2 will...
• Create thousands of jobs.
• Boost the economy of the north-west
• Reduce the amount of freight traffic on the roads.
Airports are very important to the UK economy because they create global links. They provide thousands of jobs and boost economic growth both regionally and nationally.

Aviation sector = 3.6% GDP

750,000 flights to 114 countries each year.
420,000 domestic flights (within the UK.)

Heathrow is by far the largest airport in the UK with 73.4 million passengers per year (Gatwick is second with 38.1 million passengers.) Heathrow may well expand with the building of a new runway by 2030.

Pros:
• Will help London compete with other global cities.
• Jobs created.
• Boost to UK economy of £200 billion.
Cons:

- Increasing CO2 emissions.
- Noise pollution worse for 1 million people close to airport.
- At least one village would have to be demolished.
- Some people argue that it would be better to expand Manchester airport as this would help stimulate economic growth in the north.
The north-south divide refers to the fact that in general, the south of England enjoys higher standards of living, longer life expectancy and higher incomes than the north.

What has caused the north-south divide?
During the industrial revolution, the UK's growth centred on the coalfields in Wales, Northern England and Scotland. Heavy industries and engineering thrived in cities such as Manchester, Sheffield and Glasgow.
Since the 1970s the industries have closed down and moved abroad and these areas have experienced high unemployment and have gone into decline.

Meanwhile, London in the south developed rapidly due to the growth in services. London is a major global financial centre and has grown more rapidly than the rest of the UK.

Strategies to reduce the north-south divide:
1. Improving infrastructure - see notes on HS2 and Liverpool2
2. Local Enterprise partnerships (LEPs) (2011): Voluntary partnerships between local authorities and businesses aiming to identify business needs in an area and encourage investment. This will create jobs in the areas they are needed.

3. Enterprise zones (2011) aim to establish new business areas in areas where there were none. The government helps these by...
   - Providing tax discounts
   - Providing superfast broadband
   - Financial help for set up costs
   - Simpler planning regulations.

Example: Lancashire LEP:
   - Recent growth has been based around aeronautical engineering in this previously industrial area.
   - 2013 business growth hub established. Aims to set up 400 new businesses by 2016.
   - £20 million of local transport improvements including Heysham to M6 link.
   - £62 million BT investment will extend superfast broadband across 97% of the region.
   - 2 Enterprise zones established at Samlesbury and Warton.
The Changing Economic World - Economic futures in the UK

7. The place of the UK in the wider world.

Links with the wider world through trade:
This involves importing goods from other countries and exporting goods to other countries.
The UK's most important trading links are with the EU. In 2015 about 50% of our exports went to EU and 50% to the rest of the world of which the USA is most important.
Imports from and exports to China are becoming increasingly important.

Links with the wider world through culture
This refers to the values and beliefs of society and can also include writing, painting, fashion, architecture, music, television etc.
The UK is a multicultural society and has absorbed influences from all over the world due to our history of immigration. These include food (Chinese/Indian) films (Bollywood), festivals (Notting Hill Carnival) Music (America, Africa)
Our culture has spread across the world through the process of globalisation
Television is one of our most successful media exports. (2013 £1.28billion export earnings. Pepper pig is now screened in 170 countries across the world. Downton Abbey, Dr.Who and Sherlock have been successful worldwide.
7. The place of the UK in the wider world.

**Links with the wider world through transport**

Heathrow is our largest airport and is crucial for maintaining the UK’s global status. (See also notes on ports.) Rail and ferry links across the English Channel (including Eurotunnel) are extremely important in linking the UK to the rest of Europe.

**Links with the wider world through electronic communication**

The UK is one of the world’s most connected countries. In 2014 over 90% of the population used the internet.

Electronic communication is a vital part of the global economy and fast, reliable connections are vital. The Arctic Fibre project laid the first cables between London and Tokyo and was completed in 2016.

The UK is a focus for submarine cables along which 99% of all internet traffic passes. The main connections are with the USA.
What is the European Union (EU)?

An international organisation of 28 European countries, including the UK, formed to reduce trade barriers and increase cooperation among its members. Seventeen of these countries also share the same type of money: the euro. A person who is a citizen of a European Union country can live and work in any of the other 27 member countries without needing a work permit or visa.

How are we linked with the European Union (EU)?

1973 UK joined the EU, a small trading group of countries in NW Europe.

2016 referendum vote in UK voted to leave the EU by 52% to 48%.

The UK remains a member of the EU until exit negotiations are completed.

The EU has been good for the UK because:

• It has given financial support to farmers in the UK e.g. 2015 £18million given to support dairy farming in the UK.
• It has provided support for disadvantaged regions in the UK.
• The fact that goods, services, money and people can move freely between members envourages trade.
• There has been mass migration of workers into the UK from other EU countries which has filled jobs and boosted the economy.
The EU has been bad for the UK because:

- The EU has powers to pass laws that affect the UK.
- EU laws on things such as pollution and consumer rights can restrict companies in the UK.
- Migration has put pressure on services in the UK.

We shall have to wait and see what the impact is of leaving the EU!!

The UK is a member of the Commonwealth. What is the Commonwealth?

The Commonwealth is a voluntary association of 53 independent and equal sovereign states, which were mostly territories of the former British Empire. It is home to 2.2 billion citizens. Member states have no legal obligation to one another. Instead, they are united by language, history, culture, and their shared values of democracy, human rights, and the rule of law.

The Commonwealth is concerned with human rights, social and economic development and youth empowerment. The heads of each member country meet every two years to discuss items of common interest.

We have important trading, cultural and sporting connections with countries of the Commonwealth.
The Changing Economic World - Economic futures in the UK

Key facts Quiz:

How many people work in IT?
1.3 million

What % of the UK's economic output today comes from the service sector?
79%

How many people are employed in finance?
2 million

How many people are employed in research?
60,000

Name an organisation conducting research in Antarctica.
British Antarctic Survey (BAS)

Name an example of a science park.
Southampton science park

Which motorway is it near?
M3

Name a company there.
Fibrecore
The Changing Economic World - Economic futures in the UK

Key facts Quiz:

Name a business Park:
Cobalt business park in Newcastle
Which road is it near?
A1
Name a company there.
Siemens
Where is the Torr Quarry?
Somerset.
Which stone is quarried?
Limestone
How many acres have been replanted with grass and trees?
200
How much of the products are transported by rail?
3/4
Key facts Quiz:

Name a rural area experiencing population growth.
South Cambridgeshire
What is the population of South Cambridgeshire?
150,000 and growing
What % of car ownership is there in the area?
80%
Name a rural area experiencing population decline.
The Outer Hebrides
What is the population of the Outer Hebrides?
27,400
When did the government introduce its £15billion road investment strategy?
2014
Name a Smart motorway
M25
The Changing Economic World - Economic futures in the UK

Key facts Quiz:

Which cities will HS2 link?
London with Birmingham then Manchester and Leeds.

When will it be finished?
2033

Name the new port development in Liverpool
Liverpool2

Which is the UK’s biggest airport?
London Heathrow

How many passengers go through it per year?
73.4 million

Other than improving infrastructure, name two other strategies to address the north-south divide.
Local Enterprise Partnerships (LEPs) and Enterprise Zones both set up in 2011.

Name an example of an LEP.
Lancashire LEP
The Changing Economic World - Economic futures in the UK

Key facts Quiz:

How much of the Lancashire LEP will have superfast broadband?
97%

Name a transport project in the Lancashire LEP.
Heysham to M6 road link.

In 2015, what % of our exports went to EU countries?
50%

Name a television program that we have exported around the world.
Peppa Pig

In 2014, what % of the UK's population used the internet?
Over 90%

Name the submarine internet cable between London and Tokyo.
The Arctic Fibre Cable.