



# Changing Economic World

## Changes in the UK Economy

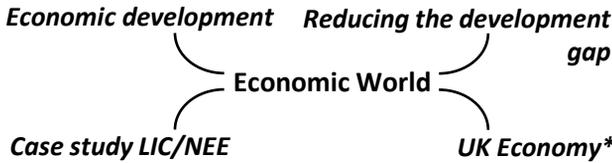


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### The Big Picture



### Impact of Globalisation

Globalisation is the process which has created a more connected world, with increases in the movements of goods (trade) and people (migration and tourism) worldwide. The main impacts of globalisation include:

- Migration – Migrants fill jobs with a shortage of skilled workers in the UK.
- Less manufacturing – Manufactured goods are imported more cheaply from countries such as China, where wages are lower.
- Inequality – The gap between the best-paid and lowest-paid jobs is increasing.
- Outsourcing – jobs are outsourced to other countries where wages are lower.
- Foreign investment – foreign companies invest in the UK, bringing new ways of working and technology. This provides jobs and skills development to people living in the UK.
- Cheaper goods and services – Wages and production have become more competitive, leading to lower-priced products and services.



### Key Terms



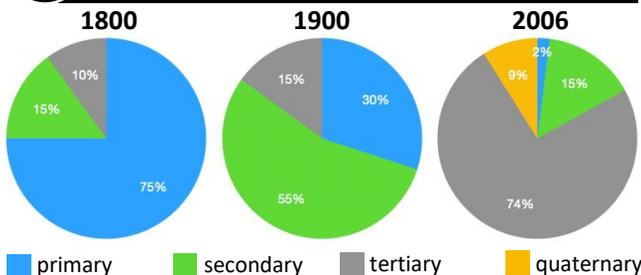
**Industrial structure** – The relative proportion of the workforce employed in different sectors of the economy (primary, secondary, tertiary and quaternary).



**Deindustrialisation** – Decline in traditional manufacturing due to exhaustion of raw materials, loss of markets and increasing competition from NEEs.



### The Changing UK Economy



- The primary sector and secondary sector has also declined due to mechanisation and foreign competition. The tertiary (service) sector has increased with the growth of public services and financial services.
- The quaternary (knowledge – research and development) sector has grown.



### Reasons for Change

For several decades the UK has been experiencing deindustrialisation. This has happened because:

- Machines and technology have replaced many people in modern industries.
- Other countries produce cheaper goods due to lower labour costs.
- Lack of investment, high labour costs and outdated machinery made many UK produces too expensive.
- Decline in availability of raw materials in the UK.



### Government Policies

- 1945-79 – state-run industries, such as British Steel Corporation, were set up by the government to support declining heavy industries and protect jobs.
- 1979-2010 – government-run industries privatised, and many heavy industries closed. Private sector and government investment transformed many former industrial areas, into financial centres, offices, and retail parks.
- 2010 onwards – attempts to rebalance the economy by encouraging investment in high-tech manufacturing, such as aerospace and computer engineering. In addition, significant investment made in transport infrastructure. Financial incentives have been offered to small businesses. Attempts to reduce north/south divide e.g. Northern Powerhouse.