

A Note on Commonalities and Differences in the Approaches to Sub-regional Employment Forecasting adopted by London and South East Regional Planners

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1. Recent Sub-regional Forecasts for South East and East Region Planners

The basic methodology used by Experian Business Strategies to produce employment forecasts for the *South East and Eastern Regional Assemblies* is quite different from that used by the GLA and its consultants. At the regional scale, the Experian forecasts are based on a time series econometric model. This relates past regional growth statistically to a number of national and regional indicators, forecasts of which are used to 'drive' the regional employment projections. These are then modified to some degree on the basis of intelligence about region-specific developments (including major planned projects).

The county-level disaggregation of these forecasts starts with a traditional 'shift-share' model based on past trends in the spatial distribution of each sector. In the case of service sectors, the method is modified to allow for the effects of population growth rates on local demand changes. But for longer run county forecasts, beyond about 10 years ahead, more emphasis is given to so-called 'supply factors' – including such characteristics as airport accessibility, qualifications, industrial structure and density¹. The influence attributed to each of these clearly draws on a cross-sectional analysis of their long term relation with faster/slower growth in particular areas. One important sense in which this analysis is supply-based is that it relates to forecasting of employment rates (i.e. proportions of the working age population who are actually in jobs), which are then applied directly to each area's population growth projection.

A third stage breaks these forecasts down further to district level (though results for these are not published) using simply the shift-share approach (SEERA, 2006). Specific variants on these forecasts have been developed for SEERA and EERA to reflect alternative growth and migration scenarios requested by the Regional Plan teams/committees. The SEERA/EERA forecasts thus emerge from a rather complicated multi-stage process.

Probably the two most significant characteristics of this, from the point of view of comparison with the methods adopted by GLA for sub-regional forecasting are that:

- (a) the Experian approach seems more directly rooted in consideration of factors underlying past trends, rather than seeking to anticipate property market developments; and
- (b) they make explicit provision for population trends to influence employment growth (both in relation to service demand and labour supply).

The latter characteristic implies that the Experian methodology is likely to produce rather higher employment forecasts than (for example) the GLA approach in areas where population growth is expected to speed up (i.e. to be significantly faster than in the past - not simply to be strongly positive²). But there seem to be no other features of the Experian approach likely to have given a particular boost to employment growth forecasts for the outer boroughs' neighbours across the GLA border.

2. Borough Level Employment Forecasting for the GLA

At a Greater London scale the GLA approach to employment forecasting has basically involved a version of the trend extrapolation method (i.e. method i), though starting from assumptions about GDP

¹ Also the distribution of Bangladeshi women whose participation rates are traditionally low.

² The point is that, if population trends continue much as in the past decade or so, their potential effects on future employment levels could be largely picked up in the trend extrapolation element of most forecasting methods.

growth in the region, and making projections independently for each sector (GLAE, 2005). At the *sub-regional borough level* they have adopted quite different (and original) approaches, however. For the original London Plan, these involved a combination of the sectoral growth rate approach with adjustments to reflect site availability and developer interest. In the 2005 ‘interim’ set, this was significantly altered, in that actual local growth rates were now taken as the starting point, rather than those expected from the local employment structure.

In the 2006 set, a new ‘triangulation’ method has been employed (outlined in Melville, 2005b), starting from three separate projections for each borough, based respectively on:

- local employment *trends*, extrapolated forward by Volterra consultants;
- employment *space* availability, as assessed and applied by Roger Tym and Partners consultancy; and
- changes in local *accessibility* levels expected as a consequence of transport investment schemes planned in the Mayor’s Transport strategy, applying a method based on Colin Buchanan and Partners/Volterra analyses of the cross-sectional relation between current accessibility levels and employment densities.

Reconciliation of these separate projections has been undertaken by GLA Economics according to a set of rules, rather than simple averaging as was used for the 2002 and 2005 borough projections. No information has yet been made available either about this procedure or the basic results for any of the three initial projections, but these are now expected to be released on October 14th. The method (though reasonable in its basis) is not one for which there is any known prior experience, and (except for the trend extrapolation element) it does not appear to have been tested against any past experience. Two key questions which may be raised about this approach are:

- (i) the basis and reliability of judgements about the impact of space availability/develop streams – particularly in relation to likely biases toward predicting more growth where development schemes were more readily identifiable, either because they tended to be larger or because of a high level of policy activity in the area concerned.
- (j) Possible problems associated with assuming full and timely implementation of all major transport projects in the Mayor’s Transport Plan, even where viable bases for funding have yet to be found. This may also exaggerate likely growth in areas which are the focus of policy intervention.

A third important question concerns the lack of explicit attention to employment growth in local services as a consequence of forecast local population growth (in contrast to the Experian forecasts for SEERA. Implicitly there are elements of this built into the local trend extrapolations reflecting the effects of recent population growth (much of it in the areas where future growth is projected). However, this will not pick up any effects of shifts in the direction of population growth. Nor is it likely to be given its ‘full weight’ since the trend extrapolations are only one of the three bases for the forecasts and, however these have actually been combined (which is not yet clear), these have clearly not been simply added up.

3. Policy and the Employment Projections

Later versions of the SEERA and EERA projections pursue scenarios with significant policy-related elements to them (e.g. looking for a consistency with housing/population targets, rather than simply trying to predict how markets will reconcile discrepancies as they emerge). By contrast, the approach of GLA forecasters seems to be entirely policy-free: but both the space and accessibility elements used in the triangulation procedure seem implicitly to link forecasts to spatial policy priorities.