

a clear vision
FOR THE SOUTH EAST



South East Plan

Technical Note I - Annex

Economic and Labour Demand Forecasting

SCENARIO 7 FORECASTS

OCTOBER 2006

**DRAFT SOUTH EAST PLAN
TECHNICAL NOTE – ANNEX**

ECONOMIC AND LABOUR DEMAND FORECASTING

Purpose of this report

This annex note should be read in conjunction with Technical Note I – Economic and Labour Demand Forecasting (updated March 2006)¹. This annex includes outputs from the ‘Scenario 7’ economic and employment forecasts produced by Experian Business Strategies for the South East England Regional Assembly during 2006, which have incorporated demographic data derived from the housing targets in the draft South East Plan (submitted to government in March 2006).

I. Introduction

- I.1 During 2004-2005 the South East England Regional Assembly commissioned Experian Business Strategies (Experian) to produce employment and economic forecasts for the South East to help inform development of the South East Plan. These were used to help develop understanding of possible patterns of future employment and economic change in the South East over the Plan period up to 2026.
- I.2 In order to ensure compatibility with demographic projections that were used in developing the Plan, Experian’s standard demographic data underpinning the model was replaced with demographic data produced for the Regional Assembly, and the model re-run to incorporate revisions to these demographic projections that occurred during the Plan’s development. Experian’s methodology is explained in the main Technical Note I document.
- I.3 Following submission of the final draft South East Plan to Government in March 2006, a further run (‘Scenario 7’) was commissioned from Experian which incorporated demographic data derived from the housing targets in the Plan (more information about this is available in Technical Note 5, updated October 2006¹). Scenario 7 also incorporated the most recent base data available (updated from 2001 in Scenarios 1-6 to 2004 in Scenario 7). This annex sets out data from this run.
- I.4 In the forecasts ‘employment’ is defined as the total number of jobs, including both full and part time employees and the self-employed, and is disaggregated into thirty industrial categories. The forecasts were produced at a regional level, and some of the data disaggregated to sub-regional level.
- I.5 Longer-term employment and economic forecasting is a notoriously difficult business. Therefore, although the general pattern and trend of the forecasts is significant, their precise numbers need to be considered with caution. They inevitably extrapolate and interpret existing trends, and make assumptions

¹ Technical notes available at http://www.southeast-ra.gov.uk/southeastplan/plan/supporting_information.html#tech_notes

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about global performance/international change and productivity. They are only one of a wide range of factors that have helped inform decisions in the South East Plan's development. The main Technical Note I discusses these and other factors that may influence the forecasts, as well as the relationship between labour supply and demand.

2 Methodology for Development of Scenario 7

- 2.1 Under commission from the Regional Assembly, Experian have incorporated changes to their standard demographic assumptions in order to produce different scenarios. Changes in the quantum and structure of the population will influence the demand for population-related services and affects the supply of labour available (and therefore the long-run supply-side position of counties). These factors influence the potential for economic growth and changes in employment in the South East, and have been built into the forecasts.
- 2.2 Explanations of the methodology underpinning Scenarios 3 to 6² are set out in Technical Note I. Scenario 7 was undertaken following submission of the draft Plan to Government in March 2006.

i) Scenario 7 (South East Plan district level housing targets)

Scenario 7 incorporates demographic data derived³ from the housing targets and district level housing distribution contained in the final draft South East Plan (ie a total of 28,900 dwellings pa).

Participation rates help determine employment in the long run, and a rate has been applied to the projections derived from what is termed a 'mid' participation rate used by Anglia Polytechnic University, with the main assumptions that participation rates would increase for males and females within the 55-59 age group onwards, and for females aged 25-44⁴.

Demand driven forecasts are thus calibrated to conform to the long run-supply side view at county level as implied by the population projections (see main Technical Note I para.2.2.5 for further information).

² In broad terms, the forecasts were produced by incorporating demographic projections into the Experian model that related to housing growth as follows: Scenario 3 - 36,000 dwellings pa; Scenario 4 - 32,000 dwellings pa; Scenario 5 - 25,500 dwellings pa; Scenario 6 - 28,000 dwellings pa. (Note: Scenario 1 and 2 are not listed as they were initial test runs).

³ Prepared by Anglia Polytechnic University using the Chelmer model.

⁴ The economic activity rate that underpins the labour supply is defined as the percentage of the population in a given age group which is in the labour force - in employment or unemployment according to the International Labour Organisation (ILO) definition. It is based on the population of working age in private households and student halls of residence. Note: Anglia Polytechnic University's approach corresponds to the standard Office for National Statistics (ONS) definition with the exception that the ONS definition also includes NHS staff in NHS accommodation.

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3. Forecasts for the South East - Key Findings

3.1 Productivity and Employment

3.1.1 Over the last 30 years the South East economy has been relatively buoyant compared with other regions in the UK. The Scenario 7 Experian forecasts commissioned by the Assembly show an annual average growth in GVA (Gross Value Added⁵) of 2.75% between 2006 and 2026, although there are likely to be higher rates of growth in the short to medium term (see Figures 1 and 2). The annual average percentage change between 1986 and 2006 was 3.46%.

3.1.2 The factors underlying the shift in economic activity - globalisation, decentralisation and technological change - are set to continue and hence the central forecast is for the growth in the South East economy to continue. Summary results of Experian's economic forecasts produced for the Regional Assembly are included below.

Figure 1: Total GVA – South East Region

	Total GVA (£m)				
	2006	2011	2016	2021	2026
Scenario 7	148,100	170,500	197,100	225,300	254,700

Figure 2: Annual average change in total GVA – South East Region

	Total GVA - annual average percentage change		
	1986-2006	2006-2016	2006-2026
Scenario 7	3.46%	2.90%	2.75%

Figure 3: Annual average growth rates – South East Region

	Annual average GVA growth	Annual average employment growth	Annual average productivity per employee growth
Historic			
1986-2006	3.46%	1.21%	2.23%
Scenario 7			
2006-2016	2.90%	0.60%	2.28%
2006-2026	2.75%	0.49%	2.24%

3.1.3 The Experian forecasts incorporate a 2.24% increase in productivity per worker per annum between 2006 and 2026, compared with a historic increase

⁵ GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom. More information is available on National Statistics website: <http://www.statistics.gov.uk/CCI/nugget.asp?ID=254&Pos=1&ColRank=2&Rank=768>

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of 2.23% per annum between 1986 and 2006 (see figure 3). Increases in productivity would require fewer workers to produce a given output; decreases in productivity would need more workers.

3.1.4 Looking at the Scenario 7 forecasts, total employment in the South East is forecast to rise by approximately 444,000 during the period 2006-2026 - an increase of around 10.4%. Employment is defined as the total number of jobs including both full and part time employees and the self-employed. Figure 4 shows the key forecast data for the South East region.

Figure 4: Employment breakdown – South East Region (note: figures may not sum due to rounding)

	2006	2011	2016	2021	2026	Change 2006-2026 (total)	Change 2006-2026 (%)
Scenario 7							
Employment (persons)	4,278,000	4,412,000	4,544,000	4,650,000	4,722,000	444,000	10.4
Of which							
Full time	2,446,000	2,512,000	2,584,000	2,649,000	2,695,000	249,000	10.2
% of total	57.2	56.9	56.9	57.0	57.1		
Part time	1,198,000	1,253,000	1,299,000	1,330,000	1,347,000	150,000	12.5
% of total	28.0	28.4	28.6	28.6	28.5		
Self emp	635,000	646,000	661,000	671,000	680,000	45,000	7.1
% of total	14.8	14.7	14.5	14.4	14.4		
GVA per employee	£34,600	£38,900	£43,400	£48,500	£53,900	£19,300	55.8

3.2 Comparison of Supply and Demand

3.2.1 The Experian forecasts commissioned by the Regional Assembly show that total employment in the South East could rise by approximately 444,000 during 2006-2026. During the same period, the economically active population living in the region, as derived from the demographic projection input to the model (based on the housing targets in the draft South East Plan³), is projected to possibly increase by approximately 269,000. In the first ten years of the Plan (2006-2016) the forecast/projected change is approximately 266,000 jobs and 212,000 economically active residents.

3.2.2 In comparing supply and demand for labour account needs to be taken of a number of factors, including vacancies and double-jobbing. The main Technical Note I document contains further information on this.

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3.3 Sub-regional Strategy Areas – Scenario 7 forecasts

3.3.1 Please note, these are trend-influenced forecasts. Some of the sub-regions are seeking to change their performance from ‘trend’, and therefore these forecasts should only be regarded as one element of a package of information that is needed to understand the future of a sub-region’s economy.

Source: Scenario 7 forecasts prepared for the South East England Regional Assembly by Experian Business Strategies Ltd, 2006. NOTE: These forecasts are provided only for use in work contributing to the development of the South East Plan.

SOUTH EAST REGION					
Scenario 7 employment forecasts					
	2006	2011	2016	2021	2026
Full time equivalents (FTE)	3,559,760	3,659,930	3,764,840	3,852,050	3,913,640
Full time employees	2,446,170	2,512,160	2,584,140	2,648,550	2,695,120
Part time employees	1,197,710	1,253,370	1,299,060	1,329,570	1,347,420
Self employed	634,510	646,420	661,080	671,670	679,550
Total employment count	4,278,390	4,411,960	4,544,270	4,649,790	4,722,090

TOTAL SUB-REGION: CENTRAL OXFORDSHIRE					
Scenario 7 employment forecasts					
	2006	2011	2016	2021	2026
Full time equivalents (FTE)	199,160	205,450	212,270	219,050	224,970
Full time employees	146,020	150,630	155,520	160,660	165,290
Part time employees	64,750	67,860	70,490	72,440	73,760
Self employed	27,200	27,640	28,520	29,390	30,160
Total employment count	237,980	246,130	254,540	262,490	269,200

TOTAL SUB-REGION: EAST KENT & ASHFORD					
Scenario 7 employment forecasts					
	2006	2011	2016	2021	2026
Full time equivalents (FTE)	211,280	212,780	214,190	213,760	213,100
Full time employees	139,100	139,980	140,560	140,130	139,530
Part time employees	76,640	79,080	80,620	80,970	80,820
Self employed	41,440	41,020	41,150	40,940	40,860
Total employment count	257,180	260,070	262,330	262,030	261,210

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TOTAL SUB-REGION: GATWICK AREA					
Scenario 7 employment forecasts					
	2006	2011	2016	2021	2026
Full time equivalents (FTE)	169,170	176,250	182,940	187,830	191,320
Full time employees	121,070	125,640	130,180	133,680	136,160
Part time employees	54,880	58,090	60,920	62,870	64,120
Self employed	26,090	27,320	28,340	28,950	29,450
Total employment count	202,040	211,050	219,440	225,500	229,740

TOTAL SUB-REGION: KENT THAMES GATEWAY					
Scenario 7 employment forecasts					
	2006	2011	2016	2021	2026
Full time equivalents (FTE)	177,510	180,080	182,650	185,290	187,040
Full time employees	118,650	120,140	121,740	123,680	125,000
Part time employees	63,750	66,470	68,370	69,520	70,140
Self employed	33,490	33,580	33,900	34,250	34,540
Total employment count	215,890	220,190	224,010	227,450	229,680

TOTAL SUB-REGION: LONDON FRINGE					
Scenario 7 employment forecasts					
	2006	2011	2016	2021	2026
Full time equivalents (FTE)	386,560	399,870	414,090	426,520	435,890
Full time employees	262,960	271,640	281,040	289,700	296,210
Part time employees	124,480	130,880	136,260	140,010	142,390
Self employed	73,450	75,500	78,130	80,400	82,320
Total employment count	460,890	478,010	495,430	510,110	520,920

TOTAL SUB-REGION: MILTON KEYNES & AYLESBURY VALE					
Scenario 7 employment forecasts					
	2006	2011	2016	2021	2026
Full time equivalents (FTE)	202,050	217,310	231,140	243,440	253,240
Full time employees	149,300	160,560	171,010	180,610	188,200
Part time employees	56,380	61,980	66,700	70,400	73,240
Self employed	30,200	31,940	33,370	34,510	35,490
Total employment count	235,880	254,490	271,080	285,510	296,930

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TOTAL SUB-REGION: SOUTH HAMPSHIRE					
Scenario 7 employment forecasts					
	2006	2011	2016	2021	2026
Full time equivalents (FTE)	394,490	400,190	406,270	413,540	418,230
Full time employees	281,190	284,390	287,890	292,680	295,610
Part time employees	144,390	149,440	153,440	156,810	158,830
Self employed	55,520	56,020	57,010	58,160	58,950
Total employment count	481,100	489,850	498,350	507,650	513,390

TOTAL SUB-REGION: SUSSEX COAST					
Scenario 7 employment forecasts					
	2006	2011	2016	2021	2026
Full time equivalents (FTE)	377,260	380,110	383,600	384,600	382,830
Full time employees	234,590	236,010	238,400	239,690	239,230
Part time employees	148,400	150,700	152,590	152,700	151,380
Self employed	83,200	83,760	84,160	83,830	83,050
Total employment count	466,190	470,470	475,150	476,220	473,660

TOTAL SUB-REGION: WESTERN CORRIDOR & BLACKWATER VALLEY					
Scenario 7 employment forecasts					
	2006	2011	2016	2021	2026
Full time equivalents (FTE)	713,100	743,620	776,580	805,850	829,320
Full time employees	515,580	536,680	560,780	582,880	600,920
Part time employees	216,410	230,480	242,720	252,060	258,960
Self employed	111,190	114,990	118,970	122,410	125,210
Total employment count	843,180	882,160	922,470	957,360	985,090

TOTAL SUB-REGION: ISLE OF WIGHT (Special Policy Area)					
Scenario 7 employment forecasts					
	2006	2011	2016	2021	2026
Full time equivalents (FTE)	46,100	45,170	44,270	43,300	42,210
Full time employees	28,070	27,450	26,780	26,150	25,480
Part time employees	18,320	18,400	18,290	18,000	17,600
Self employed	10,710	10,360	10,180	9,950	9,700
Total employment count	57,100	56,210	55,250	54,110	52,780