

## **OXFORDSHIRE COUNTY COUNCIL**

### **South East Plan – Housing Distribution**

#### **Additional Advice to SEERA on Employment Forecasts**

##### **Introduction**

1. In May 2005 Oxfordshire County Council provided SEERA with initial advice on i) the employment forecasts SEERA had commissioned from Experian Business Strategies; and ii) on strategic criteria for the provision of employment land, including a revision to Policy C05 (economy policy for the Central Oxfordshire sub-region). This is attached as an appendix to this paper).
2. In July 2005 a further request from SEERA asked principal sub-regional authorities to:
  - i) provide final advice on the broad scale and nature of employment change in each sub-region. This should include a broad figure for change over the longer term. These figures and analysis should be included in the text rather than the policies of the strategy. The figures are to be provided for monitoring against rather than as targets.
  - ii) To establish a view upon the relationship between the demand and supply of labour as a consideration in the provision of new employment generating development.
3. SEERA have asked principal authorities to provide in their final submission in December quantified employment forecasts for first 10 years (2016) with commentary on the broad direction of change and expectations to 2026 (recognising uncertainties). In addition SEERA have asked for the forecasts to be compared to the Annual Business Inquiry (ABI) estimates of employment growth for comparison with the Experian forecasts.
4. This paper provides a response to the requests made. It should be read alongside the Council's earlier advice on the SEERA forecasts.

##### **Broad scale and nature of change**

5. The Council's initial analysis of the Experian forecasts, submitted in May 2005, broadly concluded that 'forecasting employment growth is difficult and any results need to be used with great caution'. The concerns highlighted in the paper, appended to this advice, remain valid. Further analysis has been undertaken to examine sectoral change in more detail. Also to comment on the scale of employment change over the period 2001 to 2011, for which data is available to allow some scrutiny. Looking beyond this time frame is problematic and fraught with uncertainty.

##### **A) Overall growth**

6. Experian scenarios<sup>1</sup> show an overall gain in employment across Oxfordshire of 75,400 (scenario 3) and 51,200 (scenario 4) between 2001 and 2026.
7. Between 2001 and 2011 the increase in total employment in Oxfordshire is predicted to be 33,900 (scenario 3) and 28,100 (scenario 4). This level of growth appears to be plausible in

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<sup>1</sup> SEERA commissioned two initial sets of forecasts from Experian (Scenarios 1 and 2) which fed discussions at the Regional Assembly's SE Plan spring debates. In the light of discussions and revised demographic projections, two further Scenarios (3 and 4) were produced. Scenario 3 makes use of short-term migration based population projections. Scenario 4 incorporates long-term migration assumptions.

comparison with the historical trend in employment from the census 1981, 1991 and 2001 surveys which showed an overall gain of about 90,000 employees in Oxfordshire over a 20 year period.

8. SEERA have asked for a comparison of the results from the ABI for 2001 to 2003 with the Experian forecasts. According to the Annual Business Inquiry, between 2001 and 2003 there was a net increase in the number of employees in Oxfordshire of 6,400 (2.1%). The Experian forecasts indicate a modest decrease in employment in the county over the same period.

	'000s			
	2001	2003	Change Numbers	Change %
ABI	300.9	307.3	6.4	2.1
Experian forecast*	301.3	299.4	-1.9	-0.6

\* Note: Average of short-term and long-term forecast. Not an exact county fit as excludes about six rural parishes in the south of the county

9. The figures show marked fluctuations between years. This may suggest the Experian forecasts to 2011 are an underestimate. However, the period 2001 to 2003 is short and does not cover a full economic cycle. It is interesting to note results from the ABI over a longer period.

#### Annual Business Inquiry

1998	1999	2000	2001	2002	2003
298.9	308.0	311.1	300.9	299.3	307.3

10. Depending on the time period chosen over these six years (for which the data provides a consistent series – 1998 being the base year for the current set of ABI data) the figures can indicate an increase in employment, a decrease or no growth. It further demonstrates that employment forecasts need to be treated with great caution.
11. Sectors which have seen most growth and those sectors which have lost employees were also examined. The table below shows how the change in full time and part time employees from ABI compared with full time and part time employee change predicted by Experian between 2001 and 2003. (Some ABI sectors have to be merged to become comparable to Experian sectors).

Oxfordshire 2001 to 2003 change in full time & part time employees			
	ABI	Experian forecasts	
		Scenario 3	Scenario 4
2001 to 2003 change in fulltime+parttime employees	6,368	-1,501	-2,020
<u>Change in top sectors gaining employees (ABI)</u>			
80 : Education	8,010	985	963
74 : Other business activities	5,946	-1,439	-1,744
72 : Computer and related activities	-649		
55 : Hotels and restaurants	5,421	-524	-198
85 : Health and social work	3,074	1,210	1,193
64 : Post and telecommunications	2,406	-520	-521
<u>Change in top sectors losing employees (ABI)</u>			
73 : Research and development	-7,232	2,656	2,431
70 : Real estate activities	137		
71 : Renting of machinery and equipment without operat	-153		
45 : Construction	-4,227	-1,557	-1,510
50 : Sale, maintenance and repair of motor vehicles and	-2,145	1,113	1,101
51 : Wholesale trade and commission trade, except of m	-932		
93 : Other service activities	-1,358	-278	-333
90 : Sewage and refuse disposal, sanitation and similar :	82		
91 : Activities of membership organisations not elsewhere	-414		
92 : Recreational, cultural and sporting activities	-496		

12. In terms of growth, the most significant change is in the education sector which, according to the ABI increased by 8,000 employees between 2001 and 2003. Almost all of the increase is accounted for by growth in higher education. Even by 2011, Experian only predict a maximum increase of 3,000 and then an overall decline between 2011 and 2026. Our assessment of long term trends (see below) supports the idea of stronger growth in this sector than predicted in the Experian scenarios.
13. The highest growth sector between 2001 and 2011 according to Experian is “Business Services” with a change over that 10 year period of 16,200 (scenario 3) or 13,700 (scenario 4). Even with the predicted growth in knowledge intensive businesses the change in this sector seems disproportionately high.
14. The ABI suggests a considerable loss of employment from the research and development (R&D) sector – over 7,000 in three years. Outside of London, Oxfordshire probably has the largest concentration of R&D workers in the south-east region. A decline on this scale is questionable and raises questions about the impact of redefinition of business activity on the trends reported by the ABI – something which is likely to particularly affect the R&D sector.
15. We would suggest modifications to the distribution of jobs in the Experian forecasts in order to:
- i) increase the employment in the Education sector by an additional 7,000 to 2020 before the sector starts to decline.
  - ii) reduce employment in “Other financial and business services”, which includes the R&D sector (by 2,000 employees).
  - iii) reduce employment in the Business Services sector (by around 5,000).
16. These changes overall make no net difference to the projected total growth of employment.
17. SEERA are seeking the inclusion of quantified employment forecasts in the sub-regional text of the South East Plan. Employment forecasts are notoriously uncertain and need to be treated with great caution, particularly over the long term. Global challenges make the uncertainties greater.

## B) Assessment of future trends by sector

18. Oxfordshire County Council recently engaged a consultant to assess and comment on future trends by industry against broader national trends. The focus of this piece of work was on those sectors of most importance to Oxfordshire. The following table is a high level summary of the analysis by sector.

Sector	Change in market (demand)	Threats	Employment (national trend)
<b>Education</b>	Growth – driven by government policy	Shortfalls and replacement demands contributing to financial constraints	Increasing (200k extra jobs nationally by 2012)
<b>Health</b>	Predicted to grow by 10% by 2012	NHS budget deficits	Increasing
<b>KIBS*/Hi-tech</b>	Strong growth – driven by outsourcing, use of technology,	Declining supply of scientists and engineers. Lack of science teachers &	Fastest growing employment sector

	regulation, knowledge-based economy.	learning facilities. Portability of companies – able to relocate relatively easily nationally or internationally.	
<b>Motor sport</b>	Currently experiencing growth of 10% pa	International competition (Italy, Germany, France, USA, Japan). New nations becoming involved (Malaysia, China).	Increasing
<b>Publishing</b>	11.7% 2003-2008 by <u>value</u>	Decline in printing as a result of increase in electronic information and internet.	Decreasing
<b>Retail</b>	Annual growth lowest since beginning of 1996	End of consumer-led boom. Levels of consumer debt.	Rising but slowly
<b>Tourism</b>	Main growth likely to be outside London. 2004 spend by overseas visitors was up by 10% on 2003.	Cheap flights abroad. Increasing competition to Oxfordshire from other areas of UK.	Likely to increase. Almost 10% jobs are self-employed.

\*KIBS – Knowledge-intensive based businesses

19. This analysis points to continued growth in the educational, scientific and technological sectors key to the county's prosperity and accords with the broad spatial approach proposed for the sub-region. Growth in certain sectors however will take place on existing sites, for example, the higher education sector and health, concentrated predominately in Oxford.
20. Data on land availability for employment is not yet available and will be prepared in time for the Examination-in-Public. However there are significant land opportunities for KIBS/high-technology clusters in the sub-region, mostly concentrated along the A34 corridor. These include:
- Harwell International Business Centre (estimate of future employment growth - 2,500 - in addition to the 4,500 staff currently employed)
  - Milton Park 6,000 people are currently employed at the Park with potential for an additional 2,500 jobs).
  - Begbroke Business and Science Park (25,000SqM, currently under construction)
  - Howberry Park, Wallingford (15,500 SqM with potential for 350 to 400 additional jobs)
  - Oxford Science Park
  - Oxford Business Park
21. In addition in recent years innovation centres have been established around the county providing about 13,000 SqM of floorspace but with additional potential for further development. Enterprise hubs are established in the south and north of the county.

22. The county's economic strategy is to build steadily on Oxfordshire's economic strengths, delivering continued economic prosperity through sustaining and developing the county's educational, scientific and technological economy. This is reflected in the proposed strategy for the Central Oxfordshire sub-region.
23. The Council has based its strategy for the sub-region on a strong understanding of the sectors important to the local economy. These include education (with three universities in the county), health (the hospitals in Oxford are a major teaching and research resource), science and high-technology businesses (bio-technology, advanced engineering/motorsport/ instruments and research and development), publishing (the largest outside London), retail and tourism. Car manufacture is also significant with BMW located at Cowley, Oxford.
24. Taking the work on future trends together with what is happening on the ground confirms the Council's understanding that future employment potential lies within its key sectors.
25. Background on Oxfordshire's economy can be found in:
  - Oxfordshire County Council (2005) An Economic Profile of Oxfordshire
  - Oxfordshire Economic Partnership (2003) Enterprising Oxford Volumes 1 and 2
  - Oxfordshire County Council (2004) Central Oxfordshire Sub-Regional Study
26. The County Council also hosts the Oxfordshire Data Observatory at [www.oxfordshirepartnership.org.uk](http://www.oxfordshirepartnership.org.uk).

### **C) Relationship to the spatial strategy**

27. The spatial strategy is tied closely to delivering continued prosperity. There are two issues facing this county in providing for employment growth. One, is the potential for employment growth in the south of the county and two, is providing new land and premises for indigenous firms, in particular in the science and technology sectors, looking to start up or expand their enterprise. Both Bicester and Didcot are well placed to capture and realise the potential of the sub-region.
28. In the south of the county, there is significant growth potential at existing employment sites in sectors important to the local economy. The strategy seeks to support this growth by locating housing and labour supply at Didcot and Wantage & Grove to support employment development in this general area.
29. Bicester is identified as a location for additional land for employment because of its proximity to Oxford and its location within the Oxford-Cambridge arc. Bicester is considered as having a unique placement within the corridor to capture the benefits of its location and to improve the range of jobs locally. Given this, the County Council does not consider that it is essential for firms to be located adjoining Oxford or within the immediate green belt area. Identifying land for employment generating development at Bicester can provide for spin out firms from the universities for example. The strategy together with Policy C05 seeks to provide land to provide a greater choice for the local workforce and local jobs to match growth in housing and the labour supply. The local authorities with their partners will have an important role in promoting Bicester as a 'new' location for higher value businesses.
30. During the late 1990s and early part of this decade, a number of sites offering flexible working space and incubation units have been provided around the county. There is concern however, and some evidence, of firms leaving Oxfordshire as they grow. Some seek an 'off-shore' location and an element of this is inevitable as firms seek cost savings or an alternative global placement. Bicester and Didcot provide opportunities for expansion of R&D and production.

The focus and competitive advantage the County must foster is in it being innovative and enterprising, and building on the sense of 'embeddedness' local firms hold with Oxfordshire.

31. In Oxford, the strategy seeks to make better use of land that comes forward for redevelopment or from intensification for employment or mixed use schemes incorporating employment.

### **Demand and supply of labour as a consideration in the provision of employment generating development**

32. There are two considerations with regard to this matter. The first is how the proposed spatial strategy (Policy C01) and employment policy (C05) take account of labour demand and supply issues. Much of what is discussed above is relevant and informed the formulation of the Council's approach. Three key elements are:

- i) to provide housing and hence labour in the south of the county (at Didcot and Wantage & Grove) to provide for the employment potential there identified;
- ii) to provide additional land for employment in Bicester to provide for more jobs locally to improve the ratio of jobs to labour (2001 Census there were more residents of working age than jobs at a ratio of 0.69);
- iii) in Oxford, seeking to reduce or at least not increase the imbalance between labour and jobs – the number of jobs is significantly greater than the resident workforce. The strategy is to provide employment opportunities by making efficient use of previously developed land through redevelopment or intensification rather than releasing new land. In Oxford, and across the county, 'smart growth' can provide for employment without the need for new land or the in-commuting of labour.

33. The second consideration relates to how policy allows for issues of labour supply to be taken into account by local planning authorities when they determine the level of employment land required. The Council's advice to SEERA in May was that the general policies in Part One of the SE Plan provided the right criteria for preparation of local development frameworks (see appendix). Policy RE1 stated, 'a range of sites and premises should be provided to meet the needs of businesses and the local workforce now and in the future'. This provision now appears to have been dropped from Part One of the Plan submitted to Government in July. This is regrettable. Seeking to achieve a balance between labour and jobs within a growth location works towards creating sustainable communities. It is also a key factor in determining the employment land requirement. While Part One of the Plan has been submitted to Government SEERA are requested to re-instate this provision.

### **Conclusions**

34. SEERA has asked the Council to advise on the broad scale and nature of employment change in the short-term to 2016 and the broad direction of change in the longer term. An analysis of employment trends by sector has been undertaken for the period 2001 to 2011 on the basis that the longer into the future we look the more uncertain forecasts become. Therefore it is not advisable to give any clear indication, particularly in quantified terms, about employment change beyond 2011. Technological advances and social change experienced over the past ten years indicates how, at lightning-fast pace, change can occur beyond expectations.
35. An examination of trends to 2011 indicates that the overall level of change indicated by the current forecasts appears plausible (and growth in employment of between 28,000 and 34,000 between 2001 and 2011). Changes are recommended to some sectors of the Experian forecasts however to reflect actual change in recent years (2001 to 2003) and based on the

Council's knowledge about how the sectors in question may change. The modifications suggested are set out in paragraph 15.

36. Given the uncertainties with forecasts this Council does not consider it appropriate to include figures in the explanatory text under Policy C05, but they can be made available as a technical document. The usefulness of including quantified forecast numbers in the Oxfordshire context, for monitoring purposes, is also questioned. Instead a qualitative approach is preferred that makes specific reference in the policy and text to the sectors that the Council considers will deliver continued economic prosperity in the county into the foreseeable future. In addition, forecast numbers at the sub-regional level do not necessarily help determine employment land provision at the local level. The Council considers this is a matter for the local development frameworks taking account of local factors such as growth in workforce, commuting patterns, skills, range and nature of jobs, and land and sites available.

### Central Oxfordshire Sub-Regional Advice on employment submitted to SEERA in May 2005

1. The supplementary brief for work on Central Oxfordshire (April 2005) asked for:
  - a) a critical examination of the employment forecasts prepared for the Assembly by Experian Business Strategies and initial advice on employment growth;
  - b) strategic criteria for the provision of employment land and floorspace building on the draft region-wide policy RE4.

#### a) Employment Forecasts

2. The base employment figure for the county in 2001 (adding the sub-region and the residual part of the county) – at 349,400 – is higher than official published figures. According to the 2001 Census, jobs in the county totalled 315,000. However, the Annual Business Inquiry (ABI) put the number of jobs at 300,900 in 2001. The ABI excludes the self-employed. Adding the self-employed (from the Census) indicates total employment overall, in 2001, at about 342,500. Why have Experian chosen the higher figure?
3. The latest forecasts, for the county area, generally show a higher level of employment growth compared to forecasts circulated previously (summer 2004). While there is more growth forecast in Central Oxfordshire, the overall rate of growth in the residual area is significantly higher. The forecasts now show growth of between 23 to 31%. Previously, rates forecast for the residual part of the county was between 2 and 8%. It is unclear from the Technical note what changes have been made to the methodology or assumptions to explain the differences between the current and previous forecasts. To provide a thorough critique an explanation of the changes needs to be available.
4. The current forecasts, for the county area, indicate a higher level of employment growth for Oxfordshire under the short-term forecasts when compared to the south-east (22% and 19%, respectively), but growing less strongly under the long-term forecasts (15% and 18% respectively).
5. It is interesting to note what growth scenarios are displayed when rates are examined for the period 2001 to 2011; 2011 to 2021 and 2021 to 2026. Rates of growth for the decennial forecast periods are lower than what has been achieved historically in the county. The Census shows that employment in Oxfordshire grew by 14% between 1981 to 1991 (32,400) and by 22% between 1991 to 2001 (56,500). The forecasts show a slowing down in rates of growth over the plan period with low or negative growth forecast in the five-year period 2021 to 2026. Productivity gains – which result in lower levels of employment – may explain some of this drop. It is more likely to be a reflection of the population projections; the basis for these forecasts. Forecasts are notoriously unpredictable but Oxfordshire has never recorded a drop in its employment levels. We need to have a clear explanation of why this is the case at the end of the plan period.
6. Employment growth forecast in the residual area of the county is much higher at 23 to 31% than for the sub-region – 11 to 17%. In actual terms it is 26,000 to 34,000 in the residual area of the county compared to 25,000 to 41,000 in the sub-region. The rate of growth forecast in Central Oxfordshire drops off more sharply over the plan period than is forecast for the residual

area. The residual area does include Banbury and some key smaller towns in the county (e.g. Thame) where growth in business services has been strong but the greater potential for growth is located within the sub-region.

7. Unlike the previous round of forecasts no breakdown of the data has been made available by sector (industry classification) for scrutiny. This is unfortunate as it formed a key component of the forecasts. There are generally two issues that are of concern. One, that the 'shift-share' approach to forecasting basically assumes that the performance (or under performance) of sectors will continue into the future unchanged. In earlier rounds of projections this resulted in the health and education sectors showing a high level of growth, e.g. the health sector was forecast to grow by 16,000 over 2001 to 2026, the equivalent of existing NHS staff.
8. In conclusion, the picture of what is forecast for the residual part of the county appears odd when compared to the central Oxfordshire area. It is not clear why the residual area should grow faster than the sub-region. It may reflect our concerns about the way particular sectors such as health and education have been projected. The greater level of employment in the sub-region, the concentration of larger settlements and intelligence we have on growth potential in parts of the sub-region e.g. at places like Harwell, suggest otherwise. What it does demonstrate is the volatility of forecasts depending on the assumptions made.
9. Forecasting employment growth is difficult and any results need to be used with great caution. The forecasts cannot be used to determine the level of housing needed in the county – to meet for example, the requirements of the local economy. Employment is but one factor in such an exercise. Employment forecasts can indicate general trends but the further into the future the forecasts go the less they are useful.

#### **b) Strategic criteria for the provision of employment land**

10. Strategic criteria could cover the following matters:
  - location
  - labour/jobs balance
  - scale and nature land/premises (to meet needs of workforce and business)
11. Policy CO5 (as proposed to be amended following consultation –see notes below ) provides the following guidance:
  - locationally, Bicester and Didcot are identified as the main locations for the provision of additional land for employment
  - In Oxford, the policy directs that employment opportunities are expected to arise from the re-use of employment land or from redevelopment for mixed schemes.
  - On the type and nature of provision, emphasis is placed on providing for the needs of small businesses and development that supports the educational, scientific and technological sectors and clusters generally.
12. In determining the level of employment land provision labour supply is a factor. Policy RE1 lists a number of criteria LDDs need to consider when allocating land for employment. One is '(vii) locations which promote a closer relationship between jobs and existing and proposed labour supply'. Policy RE4 states that 'a range of sites and premises should be provided to meet the needs of businesses and the local workforce now and in the future'. SEERA demographic and employment forecasts suggest a potential in the region for labour demand to far outstrip supply - the issue of potential mismatch is an important issue given the implications it carries (the ability of the local housing market to absorb new employment; commuting and pressures to provide for more housing). Policy RE4 could be clearer in making a link with labour supply

issues. This comment has been taken forward through the south east counties joint response on policies in the SE Plan. This issue is a region wide matter and need not be covered in CO5.

13. At the Central Oxfordshire Steering Group meeting it was suggested that the criteria could include “reducing the need to travel “. This point is however covered by Policy CO1 – Core Strategy.

14. In conclusion, it is considered that no further strategic criteria are required.

## **Notes**

**Policy CO5** (as proposed to be amended following consultation and sent to SEERA with the County Council’s comments on the South East Plan Draft)

*‘Development for employment purposes should provide for the requirements of activities which contribute to regional and local priorities for economic development. This includes providing a range of accommodation for small businesses and innovation, skills development, business infrastructure and linkages within the knowledge based economy.*

*Priority should be given to development which supports educational, scientific and technological sectors and responds to the needs of established and emerging clusters within the county.*

*The main locations for the provision of additional land for employment will be at Bicester and Didcot, in particular to provide for the expansion and relocation of existing local firms and those in the sectors referred to above.*

*In Oxford, development for employment uses will be expected to take place primarily on previously developed land or in conjunction with redevelopment schemes for mixed uses incorporating housing, town centre or other facilities. In the city centre, development which maintains and enhances the sub-regional role and diversity of the centre will be permitted, provided it is consistent with the protection of Oxford’s architectural and historic heritage.’*