

Fylde Borough Council

Independent Assessment of the Economic Prospects of Fylde

Draft Report

May 2017

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Contents

1	Introduction	1
1.1	Overview	1
1.2	Context.....	2
1.3	Structure	2
2	Overview of historic performance.....	3
2.1	Introduction	3
2.2	Short-term historic employment growth.....	3
2.3	Longer-term historic employment growth	9
2.4	Factors influencing future employment growth.....	10
2.5	Summary of key issues.....	12
3	Economic forecasts	14
3.1	Introduction	14
3.2	Forecast methodologies.....	14
3.3	Overview of employment forecasts.....	16
3.4	Assessment of employment forecasts	19
3.5	Arriving at a likely range of future job growth.....	22
3.6	Comparison with 2013 SHMA and Briefing Paper forecasts.....	24
3.7	Summary of key issues.....	25
4	Labour market conditions	27
4.1	Overview	27
4.2	Population.....	28
4.3	Skills of resident workforce.....	30
4.4	Economic activity rates	31
4.5	Unemployment	35
4.6	Commuting.....	36
4.7	Part-time / full-time working and ‘double jobbing’	37
4.8	Summary of key issues.....	39
5	Summary.....	41

1 Introduction

1.1 Overview

AMION Consulting (AMION) has been appointed by Fylde Borough Council (the Council) to provide an independent view on the likely level of future employment growth in Fylde. This report builds upon previous analysis undertaken to inform the Fylde Coast Strategic Housing Market Assessment (SHMA) and subsequent addendums.

The Council submitted their Local Plan to the Planning Inspectorate on 9th December 2016. Through the Examination in Public (EiP) hearings, there was a particular focus on the scale of likely job growth that could be considered reasonable for Fylde. Recognising this, and the potential implications for the Objective Assessment of Need (OAN), there is a need to review up-to-date forecasts to reach a clear view as to a reasonable level of employment forecast for the Borough.

Within this context, the purpose of the AMION report is to:

- provide a review of the historic economic picture for Fylde, particularly in terms of historic employment growth, as well as considering factors that could influence future growth;
- verify if the three employment forecasts (produced by Cambridge Econometrics, Experian and Oxford Economics) are considered to provide representative and realistic scenarios for planning purposes;
- consider whether, given Fylde's local labour market conditions, reasonable assumptions were used in the modelling of the relationship between employment growth and the implied population growth in deriving the levels of calculated housing need within the 2013 Fylde Coast SHMA¹, and subsequent papers published to update the modelling and analysis; and
- conclude as to the reasonable level of future employment growth in Fylde and recommend issues that should be considered in assessing the likely level of local housing need and the implications of these for policy decisions.

It is understood that the conclusions of this report will be used to inform the preparation of a new Addendum 3 report for Fylde to the 2013 Fylde Coast SHMA which responds to the Inspector's letter to the Council dated the 11 April 2017² and presents an updated position on the OAN for Fylde for the period 2011 to 2032.

The report covers the forecast period 2015 to 2032 in order to coincide with the Fylde Local Plan period and in recognition of the base date of the demographic and economic forecast datasets used.

¹ ED021

² EL5.003

1.2 Context

Fylde's new Local Plan will guide planning matters in the Borough and will replace the current Fylde Borough Local Plan, which was adopted in October 2005. The plan period will run from 1st April 2011 to 31st March 2032. To help inform housing policies and proposals in the new Local Plan, a Fylde Coast SHMA was produced in 2013. The SHMA was prepared to update the evidence base of housing needs and demand across the Fylde Coast. It includes population and household projections based on natural change, sub-national population projections, and migration-led and employment-led scenarios.

Subsequent addendums to the original 2013 SHMA have been produced, primarily to take into account the release of new demographic data. This included Fylde Coast SHMA Addendum 1: 'Analysis of Housing Need in light of the 2012 Sub-National Population Projections' (November 2014) and Addendum 2: 'Analysis of Housing Need in light of the 2012 Sub-National Household Projections' (May 2015). The two addendums did not provide updated economic forecast data to that used in the 2013 SHMA.

In March 2017, two briefing papers were also produced, commissioned by the Council: EL2.025 b(ii): 'Fylde Coast SHMA Briefing Paper: Sense Check with regards to the Economic Modelling for Fylde' (March 2017); and EL1.011: 'Fylde Demographic Projections SHMA Update – Including the 2014-based Population & Household Projections' (March 2017). The 'sense check' briefing paper was prepared to establish how updated economic forecast data impacted upon the previous assessments of housing need for Fylde. The briefing paper presented updated economic forecasts from Cambridge Econometrics, Experian and Oxford Economics.

1.3 Structure

This report continues in four sections, as follows:

- Section 2 – provides a review of the historic performance of the Fylde economy, focusing on employment change;
- Section 3 – analyses three sets of economic forecasts for Fylde, prepared by Cambridge Econometrics, Experian and Oxford Economics;
- Section 3 – assesses Fylde's labour market conditions and recent trends; and
- Section 4 – summarises the results and recommendations of the report.

2 Overview of historic performance

2.1 Introduction

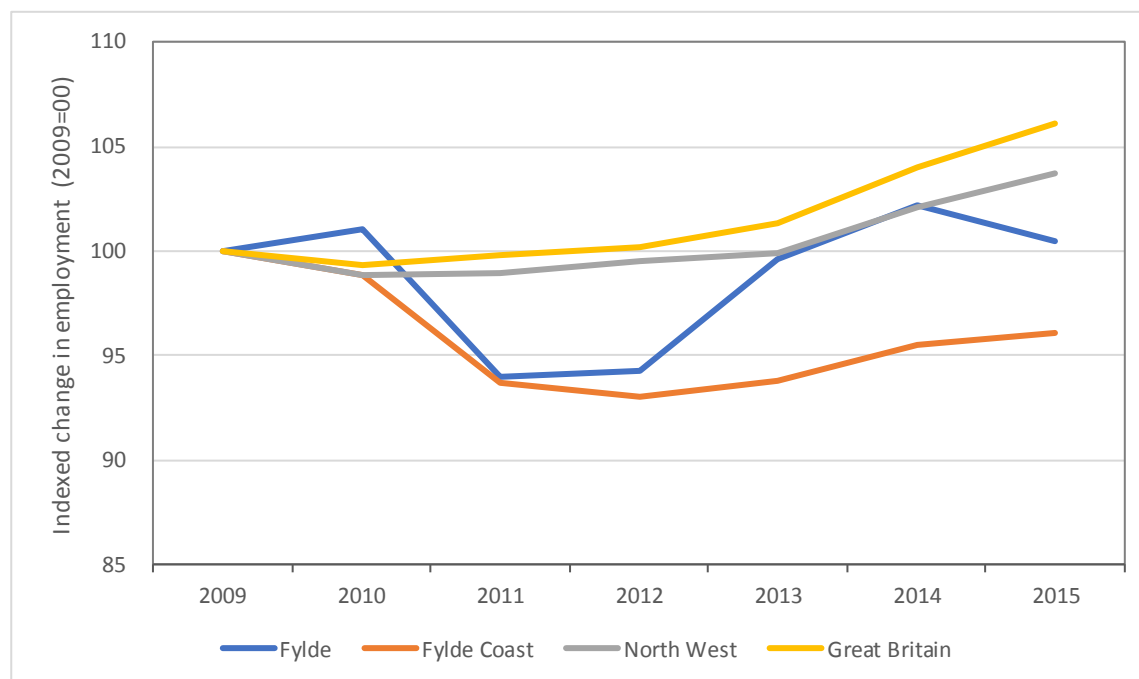
As part of coming to a clear view as to the likely level of future employment growth within Fylde, it is informative to consider the historic performance of the economy. This can also help in understanding and appraising the differences in the forecasts for the Borough, as discussed in Section 3. Within this section, the change in employment over recent years, as well the longer-term, is therefore reviewed – both for the economy of Fylde as a whole and in terms of growth within individual industrial sectors. The section draws on official ONS data from the Business Register and Employment Survey (BRES) and historic data from the three forecasting houses.

2.2 Short-term historic employment growth

2.2.1 Analysis of BRES total employment and sectoral data

Figure 2.1 shows the change in employment in Fylde between 2009 and 2015, as recorded by BRES, with comparative data set out for the Fylde Coast, North West and Great Britain (consistent BRES employment data only extends back to 2009). It can be seen that over the period there has been relatively significant fluctuations year-on-year. However, between 2009 and 2015, the total growth in employment has only amounted to approximately 200 jobs. This represents a change of just 0.5%, compared to 3.7% in the North West and 6.1% nationally.

Figure 2.1: Indexed change in employment (2009-2015)



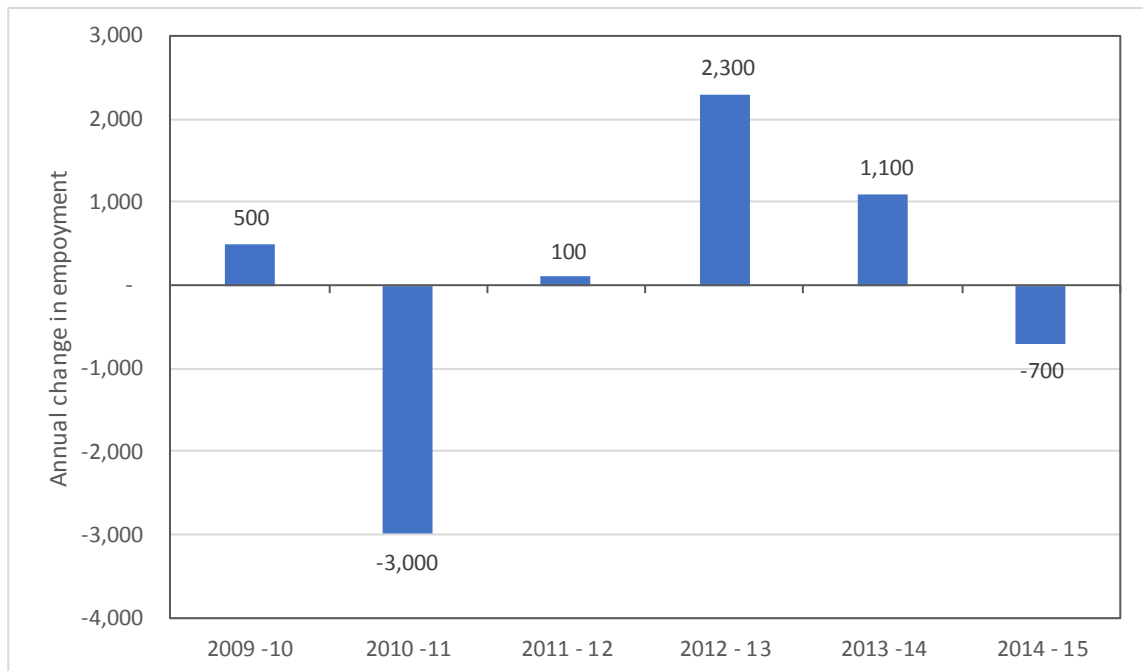
Source: BRES

The BRES data shows a sharp decline in employment within Fylde between 2010 and 2011, with a broadly corresponding increase between 2012 and 2014. The growth in employment at the regional and national level has been much less variable. This possibly could be due to the issues associated with measuring employment at the local level. As BRES is an annual survey, the employment data for a particular local area can be subject to volatility. In addition, it was noted in the Economic Briefing Paper (EL2.025 b(ii)) that:

‘analysis by Lancashire County Council suggests that some of the changes in employee numbers implied over recent years resulted from administrative changes, rather than actual changes in physical jobs in local authority areas. The large administrative movement of jobs from Fylde to Ribble Valley in 2009 is cited as one such example which created a ‘spike’ in the manufacturing sector in Ribble Valley.’³

The volatility in the BRES employment data is further highlighted in Figure 2.2. Between 2009 and 2015, the BRES data suggests that total employment varied from a low of approximately 40,000 (in 2011) to a high of 43,500 (in 2014). From 2010 to 2011, total employment was recorded as falling by 3,000 jobs. In contrast, between 2012 and 2013, employment grew by some 2,300 jobs, followed by a further increase of 1,100 jobs from 2013 to 2014.

Figure 2.2: Annual change in total employment (2009-2015)



Source: ONS BRES

To further understand the drivers of historic employment change within Fylde, an analysis has been undertaken of the growth in employment by broad industry sector. Table 2.1 sets out the sectors recording the largest annual growth or decline in employment each year between 2009

³ Turley (2017), *Fylde Coast SHMA Briefing Paper: Sense Check with regards to the Economic Modelling for Fylde*.

and 2015. This updates the analysis that was previously undertaken in the Economic Briefing Paper (EL2.025 b(ii)), but for total employment rather than number of employees.

Table 2.1: Sectors recording largest annual growth or decline in employment		
	Largest growth	Largest decline
2009 - 10	Other service activities (900) Professional, scientific and technical activities (600) Human health and social work activities (500)	Manufacturing (-600) Accommodation and food service activities (-600)
2010 - 11	Accommodation and food service activities (600)	Manufacturing (-1,600) Other service activities (-1,300)
2011 - 12	Professional, scientific and technical activities (900)	Manufacturing (-700)
2012 - 13	Professional, scientific and technical activities (1,100) Administrative and support services (900)	
2013 - 14	Professional, scientific and technical activities (700) Accommodation and food service activities (700) Manufacturing (500)	Administrative and support services (-700)
2014 - 15	Administrative and support services (500)	Financial and insurance activities (-600) Professional, scientific and technical activities (-600)
Overall – 2009 - 15	Professional, scientific and technical activities (2,800) Human health and social work activities (800) Administrative and support services (700)	Manufacturing (-2,700) Financial and insurance activities (-700) Construction (-500)

Source: ONS BRES

Over the period as a whole, there has been relatively consistent growth in the professional, scientific and technical activities sector. In contrast, the manufacturing sector has seen the biggest decline in employment. The sharp fall in employment between 2010 and 2011 was principally due to a loss of 1,600 jobs in the manufacturing sector and 1,300 jobs in the other service activities sector. For a number of the other broad industry sectors in Fylde, changes in levels of employment have oscillated between growth and decline year-on-year.

Table 2.2 shows the results of a shift-share analysis undertaken at the Fylde level for each of the broad industry sectors, based on BRES data. Shift-share is a standard analysis that seeks to determine why employment is growing or declining in a given industry at a regional or local

level. It provides a basis for differentiating between changes driven by national trends or as a result of specific local factors.

Table 2.2: Shift-share analysis at the Fylde level						
	2009 employment	2015 employment	Employment change 2009 - 2015	National share	Industry mix	Local shift
Agriculture, forestry and fishing	100	100	-	-	-	-
Mining and quarrying	-	-	-	-	-	-
Manufacturing	12,800	10,000	-2,700	800	-1,000	-2,500
Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-
Water supply; sewerage, waste management and remediation activities	200	200	100	-	-	-
Construction	2,100	1,500	-500	100	-200	-400
Wholesale and retail trade; repair of motor vehicles and motorcycles	4,600	4,400	-200	300	-200	-300
Transportation and storage	700	600	-100	-	-	-100
Accommodation and food service activities	3,700	4,200	400	200	200	-
Information and communication	1,800	1,600	-200	100	200	-500
Financial and insurance activities	2,000	1,200	-700	100	-200	-700
Real estate activities	600	400	-100	-	-	-200
Professional, scientific and technical activities	3,700	6,500	2,800	200	600	2,000
Administrative and support service activities	1,200	1,900	700	100	200	500
Public administration and defence; compulsory social security	2,500	2,500	-	100	-500	400
Education	2,000	2,200	200	100	-	100
Human health and social work activities	3,300	4,100	800	200	100	500
Arts, entertainment and recreation	600	500	-100	-	-	-100
Other service activities	1,100	900	-200	100	-100	-200
Total	42,600	42,800	200	2,600	-900	-1,500

Source: Derived from ONS BRES

Note: figures may not sum as they have been rounded to the nearest 100

The three main components of sectoral employment change at the local level, identified through a shift-share analysis, are:

- the national share – this is a calculation of the change in employment in a sector in the local area which is attributable to national growth or decline across all sectors. In other words, this shows how much of a sector’s growth is due to the growth of the overall national economy;
- the industry mix – this is a calculation of the change in employment in a sector at the local level which is attributable to the growth or decline of that sector nationally compared to the growth or decline of all sectors nationally; and
- the local shift – this represents the employment change at the local level which is attributable to the difference between the growth rate of the sector in question at the local level and the growth rate of the sector at the national level.

The most informative aspect of the shift-share analysis is the local shift, as this indicates whether an industry (or economy as a whole) is underperforming in relation to national trends (if the local shift is a negative number) or outperforming national trends (if the local shift is a positive number). From the results of the analysis, it can be seen that, between 2009 and 2015, the manufacturing sector in particular was underperforming in Fylde in terms of employment growth, whereas the professional, scientific and technical activities sector was overperforming locally. This is consistent with our previous analysis of the BRES data.

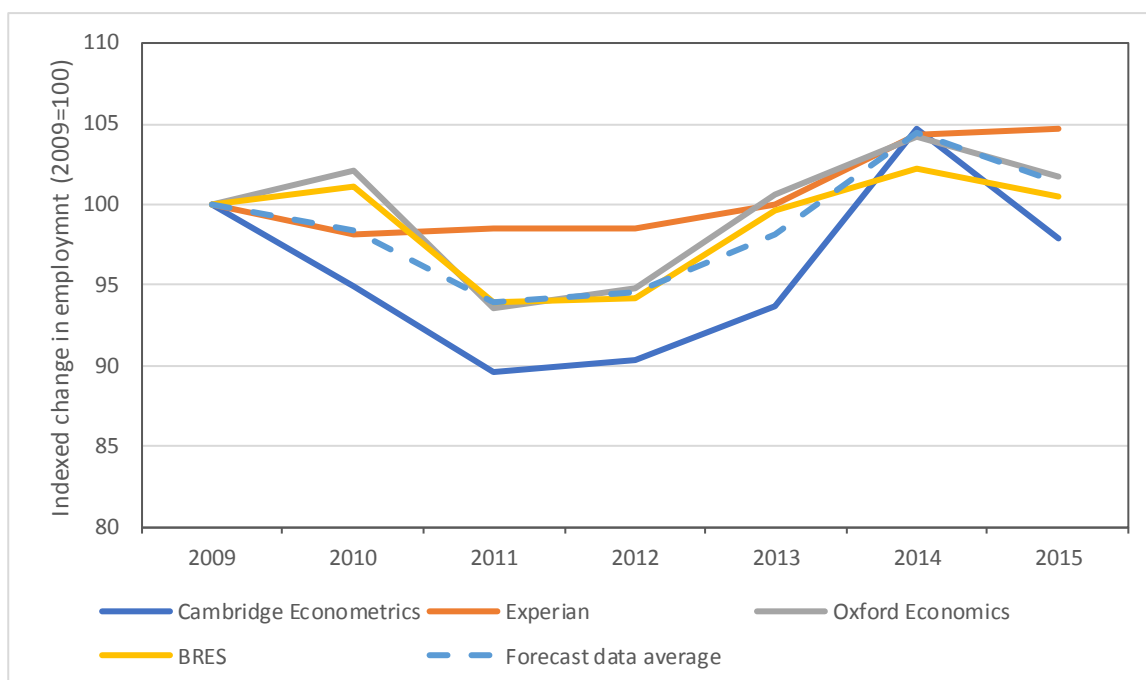
2.2.2 *Comparison with historic data from forecasting houses*

Given the volatility year-on-year in the BRES data for Fylde, and recognising that BRES does not include self-employed people not registered for VAT or PAYE, HM Forces and government trainees, it is useful in gaining a rounded picture of employment growth to also analyse the historic data provided by each of the three forecasting houses. The Cambridge Econometrics, Experian and Oxford Economics employment estimates are all scaled to be consistent with the ONS workforce jobs series (at the regional or national level), with BRES data used to inform disaggregation to the local and/or sector level.

There are inconsistencies between the three forecasting houses’ datasets, as noted in the Economic Briefing Paper (EL2.025b(ii)), which can be attributed to methodological differences in compiling local forecast data. The validity of each dataset is further considered in Section 3, but for the purposes of this analysis it is useful to also present an average growth in employment across the three forecast datasets.

Figure 2.3 sets out the change in employment in Fylde between 2009 and 2015 based on each of the forecast datasets, along with the average of the forecast datasets and BRES data. The Cambridge Econometrics and Oxford Economics historic employment data shows a similar level of volatility to the BRES data. In comparison, the Experian data indicates a more stable level of employment change, which is likely to be due to a different approach towards smoothing discrepancies in the data. The average of the forecast datasets shows employment growth of approximately 700 jobs over the period, representing a change of 1.4%. This compares to the BRES estimated growth of 200 jobs (or a 0.5% increase in employment).

Figure 2.3: Indexed change in employment, Fylde (2009-2015)



Source: BRES, Cambridge Econometrics, Experian, Oxford Economics

The comparative annual change in employment for each of the forecast datasets is summarised in Table 2.3 and Table 2.4. These set out both the change in number of jobs and the percentage change (see overleaf). Between 2009 and 2015, the Experian historic employment figures show the highest compound annual growth rate⁴ (CAGR) at 0.8% (around 400 jobs per year). A CAGR of -0.4% (a decline of around 200 jobs per year) is recorded by Cambridge Econometrics, with the CAGR across the three datasets being 0.2% (around 100 jobs per year).

Change in no. of jobs	2009 - 10	2010 - 11	2011 - 12	2012 - 13	2013 - 14	2014 - 15	Average annual change
Cambridge Econometrics	-2,502	-2,606	343	1,690	5,381	-3,362	-176
Experian	-900	200	-	700	2,100	200	383
Oxford Economics	1,010	-4,113	600	2,804	1,693	-1,192	134
Average of forecast datasets	-797	-2,173	314	1,731	3,058	-1,451	114
BRES	500	-3,000	100	2,300	1,100	-700	30

⁴ CAGR measures steady state growth on an annually compounded basis.

Table 2.4: Percentage annual change in employment, Fylde

Percentage change in no. of jobs	2009 - 10	2010 - 11	2011 -12	2012 - 13	2013 - 14	2014 - 15	Compound annual growth rate
Cambridge Econometrics	-5.1%	-5.6%	0.8%	3.8%	11.7%	-6.5%	-0.4%
Experian	-1.9%	0.4%	0.0%	1.5%	4.3%	0.4%	0.8%
Oxford Economics	2.1%	-8.4%	1.3%	6.2%	3.5%	-2.4%	0.3%
Average of forecast datasets	-1.6%	-4.6%	0.7%	3.8%	6.4%	-2.9%	0.2%
BRES	1.1%	-7.0%	0.3%	5.7%	2.6%	-1.7%	0.1%

Source: BRES, Cambridge Econometrics, Experian, Oxford Economics

Note: BRES data has been rounded to the nearest 100

To coincide with the Local Plan period, the historic employment data from each of the forecast datasets and BRES has also been analysed for the years 2011 to 2015. The scale of difference of the average annual change between 2009 and 2015 compared to the average annual change between 2011 and 2015 is significant. This is driven by the fact that the first four years of the Plan period do not encompass the large decline in employment recorded by all but the Experian data between 2010 and 2011.

Table 2.5: Change in employment 2011 - 2015, Fylde

	Change in no. of jobs 2011 - 15	Percentage change in no. of jobs	Average annual change – no. of jobs	Compound annual growth rate
Cambridge Econometrics	4,052	9.2%	1,013	2.2%
Experian	3,000	6.3%	750	1.5%
Oxford Economics	3,906	8.7%	976	2.1%
Average of forecast datasets	3,653	8.0%	913	1.9%
BRES	2,800	6.9%	700	1.7%

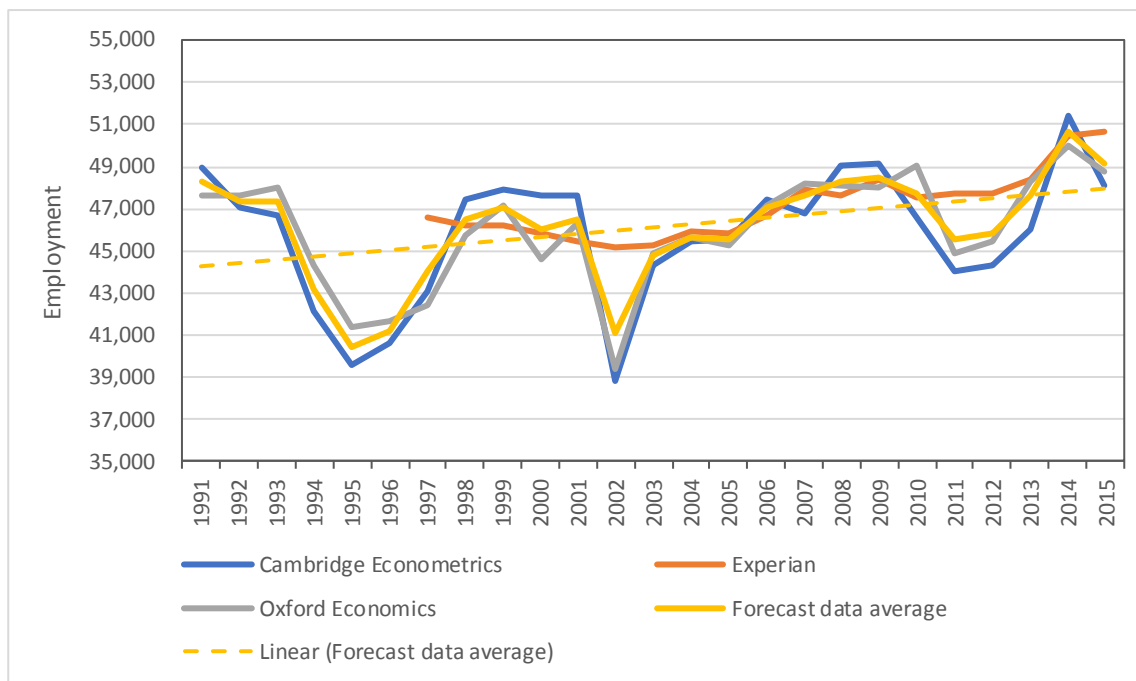
2.3 Longer-term historic employment growth

Recognising the sensitivity of calculating the average annual change for a period to the choice of start and end years, an analysis has been undertaken of historic employment change over the longer-term. Cambridge Econometrics provides employment data from 1981, while Oxford Economics produces data from 1991. The historic employment data published by Experian extends back to 1997. This data has been summarised in Figure 2.4, along with the average for the datasets in each year.

Over the period 1991 to 2015, the CAGR in terms of change in employment derived from the Cambridge Econometrics data is -0.1%. In comparison, the CAGR under the Oxford Economics forecasts is 0.1%. For Experian, the CAGR is higher, at 0.4%, because this dataset does not cover

the decline in employment from 1991 to 1995. Based on the average employment across the three datasets in each year, the CAGR over the full period is 0.1% (or some 40 jobs a year).

Figure 2.4: Change in employment, Fylde (1991-2015)



Source: Cambridge Econometrics, Experian, Oxford Economics

2.4 Factors influencing future employment growth

While trends in historic data provide a useful indication of the likely direction of travel in relation to employment change, it is important to recognise that it is not always an accurate predictor of future performance. There can be a number of external regional, national and global factors that can alter trends in the growth of the local economy, as most noticeably demonstrated by the recent global financial crisis. In addition, through targeted policy and investment, of a sufficient scale, aimed at stimulating the growth of an area, it is also possible to affect local economic performance.

The key factor currently driving uncertainty in relation to economic growth, at both the UK and local level, is the impact of Brexit on the national economy. The exact outcome of Brexit is uncertain and will depend on a number of factors, such as the nature of the trade deals negotiated.

Whilst it is recognised that it is too early to assess in any robust way the impact of Brexit it is of note that the Borough is home to a number of large international companies, creating products that are sold on a global market place. Indeed, the Economic Development Strategy and Action Plan for Fylde (2012 to 2030) recognises that *'the nature of the economy of the Fylde is one that*

is also strongly integrated within an international economic system’.⁵ The economy of Fylde could therefore be particularly susceptible to the concerns of international companies regarding Brexit.

Reaching a free trade deal prior to the UK leaving the EU in March 2019 will be challenging. If a free trade deal is not reached, it is likely that there will be additional barriers to trade, slowing growth and investment at least in the short-term. This is an important issue to consider at a sub-regional level, as well as local level, given the focus highlighted within the Lancashire Enterprise Partnership’s Strategic Economic Plan of strengthening Lancashire’s position as one of the UK’s leading export centres and capturing new investment and employment opportunities in the international market place.⁶

While it is difficult to predict the impact that Brexit will have on the UK and Fylde specifically, it is clear that partners within the Borough will continue to be committed to supporting the local economy. Of particular relevance to this study, for example, are the creation of the Enterprise Zones at Blackpool Airport and Warton. Within the Borough’s Economic Strategy and the Blackpool Fylde and Wyre Economic Development Company’s *‘Framework for Inclusive Growth and Prosperity’*⁷, the Enterprise Zones at Blackpool Airport and Warton are identified as drivers of economic growth and job creation.

Warton, located in the Borough of Fylde, is one of two BAE Systems sites that form the Lancashire Enterprise Zone – the other site being Samlesbury in the Ribblesdale district of Lancashire. The two sites are broadly treated by BAE Systems, for business planning purposes, as one location, with fluctuations in activity and employment between the sites depending on the projects being undertaken. This approach is mirrored in the incorporation of land at both sites as part of the Enterprise Zone.

The objective of the Lancashire Enterprise Zone is identified as being to stimulate the growth of the advanced manufacturing and engineering sector, with a target to create some 4,000 to 6,000 high value jobs across the Warton and Samlesbury sites in the long-term. The focus thus far has been on Samlesbury, with only minor new activity brought forward at Warton to date. It is understood that the phasing of the development of the Warton site will be dependent on the reconfiguration of the BAE Systems activities to create the necessary space for new development. Discussions with BAE Systems indicate that the company has maturing proposals for the development and use of the first phase. It is therefore anticipated that new activity could possibly come forward within the next three years, but the timing, scale and additionality of the employment that will be created at Warton is still uncertain with BAE Systems not currently able to provide any specific quantified outputs or a programme of anticipated delivery.

Blackpool Airport Enterprise Zone is a 144 hectare site which straddles the border between Blackpool and Fylde. It is managed by Blackpool Fylde and Wyre Economic Development

⁵ Fylde Council (2013), *Economic Development Strategy and Action Plan 2012 to 2030*

⁶ Lancashire Enterprise Partnership (2014), *Lancashire Strategic Economic Plan: A Growth Deal for the Arc of Prosperity*

⁷ Blackpool, Fylde and Wyre Economic Development Company (2016), *Blackpool and the Fylde: Our Framework for Inclusive Growth and Prosperity*

Company. Target sectors for the Enterprise Zone include energy, food and drink manufacture, digital and creative industries, advanced manufacturing, and aviation and aerospace. More broadly though, the key principal driver behind the Enterprise Zone is identified as being job creation and industry diversification, so the uses at the site could become relatively broad.

Initial work to assess the potential of the Enterprise Zone suggested that some 3,000 jobs could be created over the long-term, with private sector investment of £300 million and 175,000 sq m of new or refurbished commercial and industrial floorspace.⁸ From discussions with the Blackpool Fylde and Wyre Economic Development Company (EDC) it is understood that masterplanning work is ongoing, in addition to the development of a Delivery Plan and supporting Business Case. This work may change, potentially significantly, the estimate of employment impact. From these discussions it is also understood that the majority of the first waves of development at the Enterprise Zone will come forward in Blackpool. However, following this, higher employment density uses are expected to be developed within the part of the Enterprise Zone located in Fylde. The timings of the delivery of development in the part of the Enterprise Zone located in Fylde, however, are unknown on the basis of the information provided to date by the EDC.

2.5 Summary of key issues

The key issues emerging from the review of historic data, relating to the economic prospects for Fylde are as follows:

- BRES data for the period 2009 to 2015 shows relatively significant fluctuations year-on-year in employment levels within Fylde. Total growth over the period only amounted to approximately 200 jobs (representing just a 0.5% change). However, employment varied from a low of approximately 40,000 (in 2011) to a high of 43,500 (in 2014). This volatility in historic data is likely to influence forecasts of future performance;
- at a sector level, the BRES data suggests there has been a broadly consistent trajectory of change in employment within the professional, scientific and technical activities sector and the manufacturing sector between 2009 and 2015. The former has seen relatively large increases in employment, while the manufacturing sector has experienced a significant decline, falling by approximately 2,700 jobs. For a number of the other broad industry sectors in Fylde, changes in levels of employment have fluctuated between growth and decline year-on-year;
- recognising the volatility year-on-year in the BRES data for Fylde, it is informative to also analyse historic employment data from the three forecasting houses (Cambridge Econometrics, Experian and Oxford Economics). The average of the three forecast datasets shows employment growth of approximately 700 jobs between 2009 and 2015, representing a change of 1.4%, although the Cambridge Econometrics and Oxford Economics data shows a similar level of volatility to the BRES data;

⁸ Blackpool Fylde and Wyre Economic Development Company, *Blackpool Airport Enterprise Zone Update*

- the compound annual growth rate (CAGR) across the three forecast datasets between 2009 and 2015 is 0.2% (around 100 jobs per year), while BRES data indicates that the CAGR was 0.1% (around 30 jobs per year). Comparing this to longer-term employment data from the three forecasting houses, between 1991 and 2015 the CAGR based on an average of the three forecast datasets is 0.1% (or some 40 jobs a year); and
- there are a number of factors that could potentially influence future economic growth in Fylde, such that it diverges from recent historic trends. This will include the impact of external factors, such as the effect of Brexit. Local interventions could also lead to additional employment growth. For example, development at the two Enterprise Zones within Fylde is expected to create a range of new employment opportunities, including in high value sectors. However, it should be noted that the timing, scale and additionality of new employment at the Enterprise Zones is still subject to uncertainty based upon the latest information provided by BAE Systems and the Blackpool Fylde and Wyre EDC.

3 Economic forecasts

3.1 Introduction

This section provides summary details of employment forecasts for Fylde, covering the period 2015 to 2032. It seeks to verify whether up-to-date employment forecasts produced by Cambridge Econometrics, Experian and Oxford Economics are considered to provide representative and realistic scenarios of likely job growth for planning purposes. In doing so, consideration is given to determining the likely level of future employment growth in Fylde. The section builds upon the analysis provided within the Economic Briefing Paper (EL2.025 b(ii)) produced by Turley in March 2017, on behalf of the Council.

The Briefing Paper contained a review of economic forecasts from the three forecasting houses. The forecasts for Oxford Economics and Cambridge Econometrics referenced in the Briefing Paper both integrated 2015 published BRES data. It is considered that these forecasts remain up-to-date and appropriate in their use and, consequently, they have not been updated as part of this report. However, the Experian forecasts presented in the Briefing Paper used 2014 BRES data. In order to ensure that all three of the forecast datasets are using the same historic data inputs, a new forecast from Experian, drawing on 2015 BRES data, has therefore been obtained and presented within this report.

The other main change from the forecasts outlined in the Briefing Paper is that a base year of 2015 has been applied within this report, reflecting the use of published historic data to 2015 as part of each of the forecast datasets. It is also understood that this is consistent with the demographic modelling that will form part of the Addendum 3 report, which incorporates the ONS published 2015 mid-year population estimates. The Briefing Paper assessed employment change over the period 2014 to 2032 and, as such, the total level of employment change and annual averages will differ to those reported in this report.

3.2 Forecast methodologies

The methodologies used by the three different forecasting houses are, in brief, as follows:

- Cambridge Econometrics** – baseline scenario projections are provided through the Local Economy Forecasting Model (LEFM) and are based on the historical relationship between growth in the local area relative to the region or UK (depending on which area it has the strongest relationship with), on an industry-by-industry basis. The projections assume that these relationships will continue to hold in the future. Thus, if growth in an industry in the local area (district) outperformed the industry in the West Midlands (or UK) as a whole in the past, then it will be assumed to do so in the future. Similarly, if it underperformed the region (or UK) in the past then it will be assumed to underperform the region (or UK) in the future. The projections for some sectors, in which growth is more closely related to changes in population, are based on historical relationships between growth in output per capita in the local area and output per capita in the region or UK as a whole. These industries are: retail, public administration, education, health, and miscellaneous services (which include leisure services).

Cambridge Econometrics data on employees in employment by industry is taken from the Business Register and Employment Survey (BRES) and the earlier Annual Business Inquiry (ABI). Estimates of self-employment are taken from the Annual Population Survey (APS) from 2004 onwards. For earlier years, estimates are generated under the assumption that the ratios of self-employed to employees at local level, by industry and gender, are the same as those at the corresponding regional level. The figures are made consistent with more recently-published estimates of jobs at a regional level (quarterly workforce jobs, June figures) published by ONS.

- **Experian** – the overall forecasting approach is based on a methodology that combines long-term supply and demand influences with short-term demand side factors. Population projections are a key driver in the regional and local forecasts. These help to determine hours worked, which feed into output, compensation, employment in all its forms, income and finally spending. In each case, Experian forecast shares of the corresponding UK variable, from their national forecasts, for the region and local area.

At the regional level, all local economic history is derived from official statistics published by the ONS. The most timely and reliable data at the regional level is the workforce jobs series, published on a quarterly frequency by the ONS. In order to disaggregate the Section-level data from the workforce jobs series to construct the Experian 38 sectors, official survey data is used. In the case of employee jobs, Experian use the BRES and ABI. In the case of self-employed jobs, Experian use data from the Labour Force Survey (LFS).

The ONS do not publish a workforce jobs series at the local level. Accordingly, Experian construct workforce jobs series for each local area using BRES/ABI in the same way that BRES is used at the regional level to disaggregate section estimates. The BRES share for a particular industry of a local area in its parent region is used to disaggregate the regional workforce jobs series for that industry.

- **Oxford Economics** – this is based on the Oxford Economics Local Authority District Forecasting Model and takes into consideration global and national factors (such as developments in the Eurozone and UK Government fiscal policy) and their potential impact at local authority level. It also factors in historical trends in the area. The variables taken into consideration in the model are:
 - employment – both residence-based and workplace-based;
 - population, migration and households;
 - wages – both residence-based and workplace-based;
 - unemployment and inactivity;
 - house prices;
 - commuting by occupation; and
 - Gross Value Added.

In relation to constructing employee jobs estimates, Oxford Economics use employee jobs data for each sector directly from the BRES over the years 2009 to 2015. The data is then

scaled to be consistent with the ONS UK employee workforce jobs series, by applying an adjustment factor to all sectors which converts the data to annual average values (seasonally adjusted). The workforce jobs series is consistent with BRES for most sectors with the exception of public services, which is based upon the Public Services Survey and is deemed more reliable for these sectors.

3.3 Overview of employment forecasts

3.3.1 Total employment

The change in total employment in Fylde between 2015 and 2032, predicted by each of the forecast models, is summarised in Table 3.1. Overall, it is clear there is a relatively high level of variance between the forecasts – Oxford Economics forecast that total employment in Fylde will grow by just over 1,000 jobs (2.1%) over the period as a whole, while Experian expect employment to increase by 2,300 jobs (4.5%). The Cambridge Econometrics forecasts are closer to the Oxford Economics figures, showing total employment growth of 1,342 jobs (2.8%).

The differences between the employment projections are most stark over the first half of the forecast period. For example, looking at the level of change between 2015 and 2019, Oxford Economics forecast that employment will fall by over 1,000 jobs. In contrast, both Cambridge Econometrics and Experian forecast that employment will increase by nearly 1,000 jobs. The variances between the three forecast datasets are much less notable in final five years of the forecast period, with each of the forecasts showing a CAGR of 0.2% between 2027 and 2032.

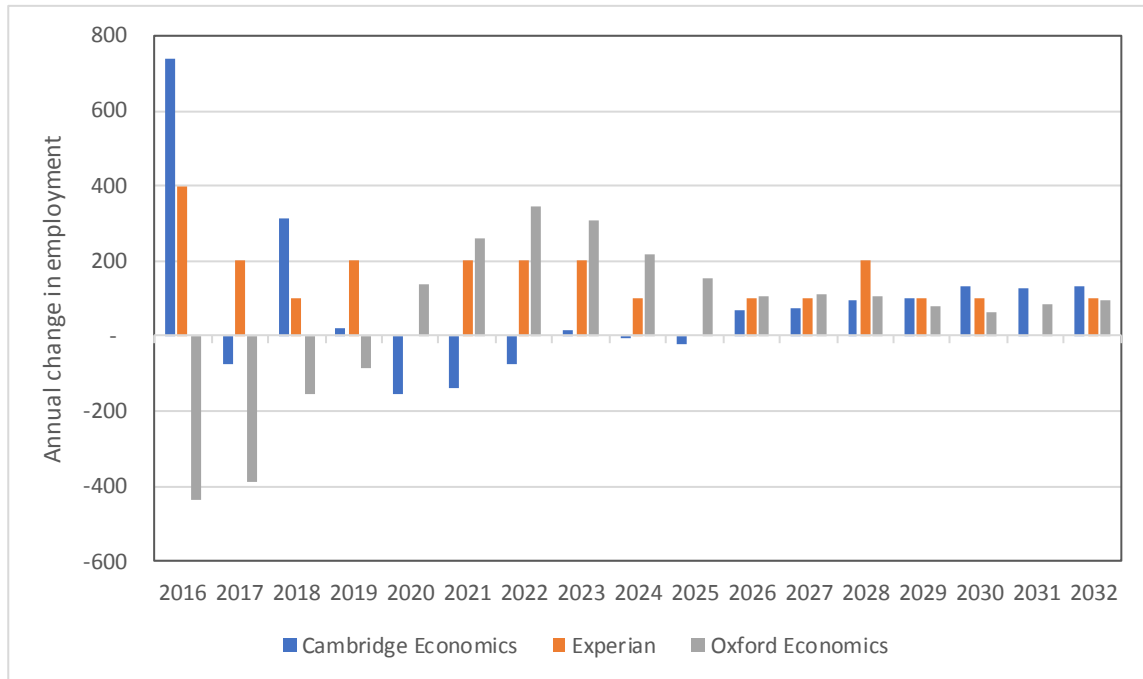
Table 3.1: Total employment forecasts, Fylde					
Cambridge Econometrics	2015 - 19	2019 - 23	2023 - 27	2027 - 32	2015 - 32
Total employment change	995	-355	113	589	1,342
Average annual change	249	-89	28	118	79
Compound annual growth rate	0.5%	-0.2%	0.1%	0.2%	0.2%
Experian	2015 - 19	2019 - 23	2023 - 27	2027 - 32	2015 - 32
Total employment change	900	600	300	500	2,300
Average annual change	225	150	75	100	135
Compound annual growth rate	0.4%	0.3%	0.1%	0.2%	0.3%
Oxford Economics	2015 - 19	2019 - 23	2023 - 27	2027 - 32	2015 - 32
Total employment change	-1,062	1,045	588	431	1,003
Average annual change	-265	261	147	86	59
Compound annual growth rate	-0.5%	0.5%	0.3%	0.2%	0.1%

Source: Cambridge Econometrics, Experian, Oxford Economics

The variances in the forecasts are clear when the annual change in employment is analysed (see Figure 3.1). This highlights a varying pattern in the trend of employment growth. Cambridge Econometrics show much stronger employment growth in the first few years of the forecast period, followed by a decline in the number of jobs and then relatively steady levels of

employment change. Oxford Economics expects employment in Fylde to decline initially, followed by relatively high levels of employment growth and then, again, more stable levels of employment over the last five years of the forecast period.

Figure 3.1: Annual change in total employment, Fylde



Source: Cambridge Econometrics, Experian, Oxford Economics

3.3.2 Sectoral employment

To further understand the variations between the forecasts, the predicted employment change by sector from 2015 to 2032 has been reviewed. It should be noted that the level of sector detail provided to AMION in relation to each of the three forecast datasets has differed – Cambridge Econometrics forecasts have been provided for 12 broad sectors, Experian has broken its forecasts down by 38 sectors and the Oxford Economics forecasts provided are for 19 individual sectors. Consequently, AMION has amalgamated the forecasts such that they can be compared on a consistent basis, as shown in Table 3.2.

Under each of the forecast datasets, the principal source of employment growth is expected to be the professional, finance and other private services sector. Similarly, the forecasts all show the largest decline in employment being within the manufacturing sector. These headline results are consistent with historic trends for Fylde. The main variation between the forecasts is the extent to which employment in the manufacturing sector is predicted to decline, with Experian showing a smaller reduction. There are also relatively high variances in the level of employment growth in the accommodation, food services and recreation sector and public services sector.

Table 3.2: Forecast sectoral employment change 2015 - 2032, Fylde

	Cambridge Econometrics	Experian	Oxford Economics
Accommodation, Food Services & Recreation	490	1,100	358
Agriculture, Forestry & Fishing	47	-100	-102
Construction	416	600	273
Extraction & Mining	-	-	-
Information & communication	481	-100	343
Manufacturing	-2,390	-1,200	-1,905
Professional, Finance & Other Private Services	1,395	1,600	1,815
Public Services	645	200	-141
Transport & storage	-	100	21
Utilities	-	-	-32
Wholesale & Retail	260	200	373

Source: Adapted from Cambridge Econometrics, Experian, Oxford Economics

Note: The sector split is based on an amalgamation by AMION of the sectors forecasts provided by each of the three forecasting houses

Based on the employment profile presented within the Experian data, an analysis has been carried out of the forecast strength of industry sectors in Fylde. The size of each sector in Fylde by 2032 has been compared to the forecast size of the sector in the UK, as measured by the number of workforce jobs. This provides an indication of whether Fylde is expected to have a relative competitive advantage in a sector or if that sector is under-represented, depending on the sector's location quotient⁹. In addition, the forecast employment growth rate for each sector between 2015 and 2032 has been calculated.

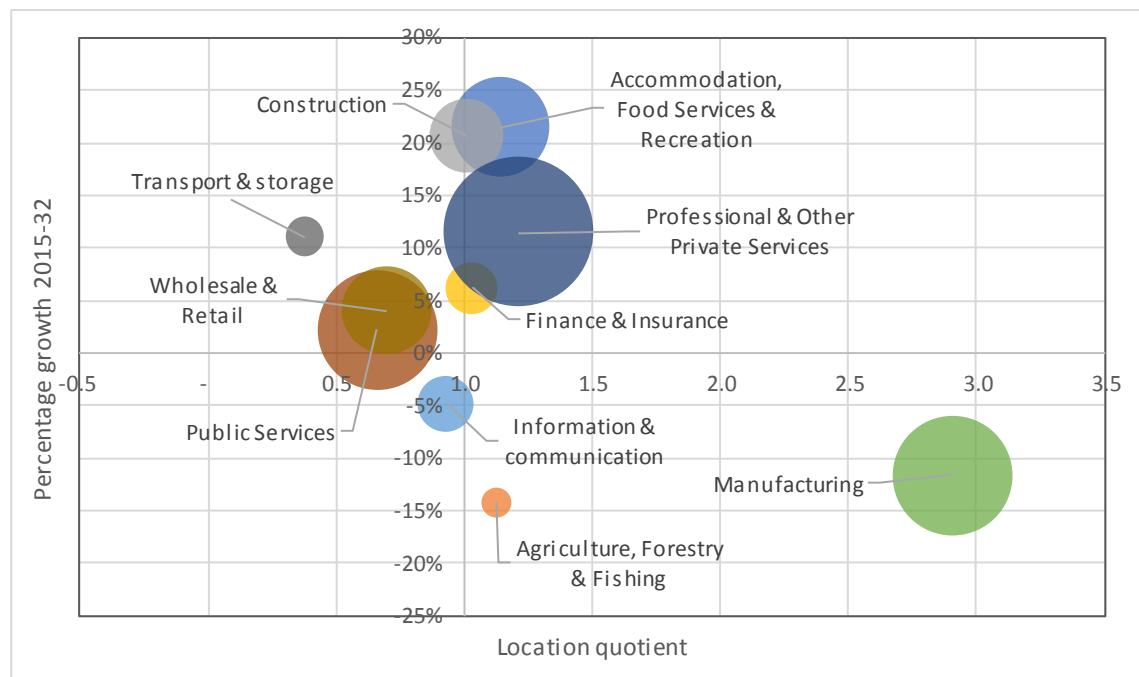
Figure 3.2 combines the location quotients and growth rates by broad industry sector, using the Experian employment forecasts for Fylde, with the location quotient on the X axis and the growth rate on the Y axis (the size of the sector bubble represents that sector's employment size in 2032). Those sectors located in the top right of the graph are forecast to grow positively over the period 2015 to 2032 and to represent a relative competitive advantage for Fylde (or overrepresentation) compared to the UK average.

It can be seen that the manufacturing sector is forecast to still have the highest location quotient, despite a projected decline in employment. Other sectors with a location quotient above 1 include the professional and other private services sector and the accommodation, food services and recreation sector. Most of the broad industry sectors' location quotients in 2032 are similar to those in 2015, albeit the manufacturing sector's location quotient is forecast

⁹ Sector location quotients have been calculated by comparing workforce jobs in each sector in Fylde as a proportion of total workforce jobs with the corresponding sector size for the UK. A location quotient above 1 suggests that, for that sector, Fylde has a relative competitive advantage. A location quotient below 1 indicates that the sector is under-represented within Fylde, compared to the UK average

to grow from 2.6 to 2.9. This is because Experian expect a larger relative decline in employment in the manufacturing sector nationally than in Fylde.

Figure 3.2: Fylde's growth sectors (based on Experian employment forecasts)



Source: Experian

3.4 Assessment of employment forecasts

The three forecast datasets have been assessed on the basis of whether they are up-to-date and if they can be considered to be realistic and representative, given the baseline and historic employment data for Fylde. The Cambridge Econometrics forecasts are based on their latest UK regional forecast, dated November 2016. The forecasts produced by Experian are derived from their latest quarterly local market forecasts, dated March 2017, and the Oxford Economics forecasts are from their latest dataset published in January 2017. Each of the forecast datasets incorporate ONS published employment data to 2015. Overall, the three forecasts are all considered to be up-to-date and produced using established forecasting models that reflect the latest available position in terms of employment growth.

Table 3.3 summarises the main results of the forecasts for Fylde, as presented in detail in Section 3.3. The forecast average annual growth rate under each of the three datasets has also been compared to historic employment growth. Experian's estimate of baseline employment in Fylde, as of 2015, is higher than both Cambridge Econometrics and Oxford Economics. Looking at data from previous years, the variance could be due to Experian's approach to smoothing changes in employment year-on-year – for example, in 2013 Experian estimated that employment in Fylde stood at approximately 48,400 compared to a Cambridge Econometrics figure of 46,051 and an Oxford Economics figure of 48,901.

Discrepancies between forecasts in terms of historic data is not uncommon¹⁰ and can be attributed to methodological differences in how local employment data is estimated. There is no evident basis on which to presume that any of the employment forecasts is likely to be the most accurate. However, the variances in historic data, and the fact that the extent of the differences between the three datasets changes year-on-year, highlights the challenges in estimating likely future employment growth over a set period.

The average annual growth in employment from 2015 to 2032 again varies between the forecasts, as discussed in Section 3.3 above. When compared to historic growth rates between 2009 and 2015 (based on an average of the three forecast datasets), the Experian forecasts show a higher average annual rate of growth, whereas the Cambridge Econometrics and Oxford Economics forecasts indicate a lower rate of growth. If the comparison is made to average annual growth rates using historic employment data over the longer-term (1991 to 2015), each of the forecasts show a higher rate of employment growth between 2015 and 2032.

Table 3.3: Assessment of forecasts			
	Cambridge Econometrics	Experian	Oxford Economics
Baseline employment (2015)	48,070	50,700	48,803
Employment growth, no. (2015 - 32)	1,342	2,300	1,003
Employment growth, % (2015 - 32)	2.8%	4.5%	2.1%
Average annual growth (2015 - 32)	79	135	59
CAGR (2015 - 2032)	0.2%	0.3%	0.1%
Main sectoral growth / decline	<u>Increasing notably</u> Financial & business services Government services Accommodation & food services Information & communication <u>Decreasing notably</u> Manufacturing	<u>Increasing notably</u> Professional & other private services Accommodation, food services & recreation Construction <u>Decreasing notably</u> Manufacturing	<u>Increasing notably</u> Professional, scientific & technical activities Other service activities Administration & support service activities <u>Decreasing notably</u> Manufacturing
Variances to historic average annual growth – 2009 - 15	-35	+22	-55
Variances to historic average annual growth – 1991 - 15	+41	+98	+21

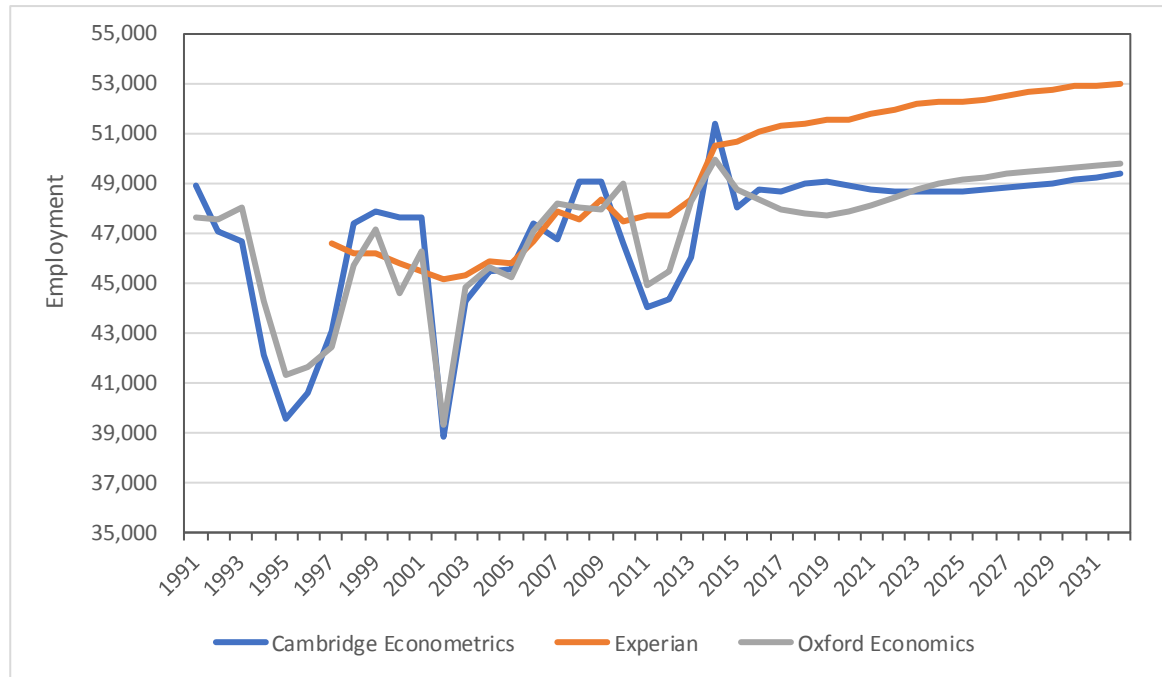
Note(i): In terms of sectors increasing or decreasing notably, the sectors highlighted are those with the biggest change in the actual number of jobs rather than those with the highest percentage change, as some sectors with a high percentage have very low employment numbers.

Note(ii): The variance to historic average has been based on the variance of each forecast to the average of the three forecast datasets.

¹⁰ See, for example, AMION Consulting (January 2014), *South Worcestershire Development Plan – Objective Assessment of Housing Need* and AMION Consulting (May 2014), *Towards an objective assessment of housing need in Blackpool – analysis of economic and housing forecasts*

Employment growth under the three forecasts between 2015 and 2032 is shown in Figure 3.3 in the context of long-term historical trends.

Figure 3.3: Historic and forecast employment, Fylde



Source: Cambridge Econometrics, Experian, Oxford Economics

In terms of the sectors expected to see the most significant changes in employment between 2015 and 2032, the common view across the forecast datasets of increased employment in professional and other private services and a continued decline in manufacturing is considered to be consistent with wider national trends. The employment growth in the accommodation, food services and recreation sector, forecast by both Cambridge Econometrics and Experian, is also considered to be reasonable, given the focus of local strategies, such as the Economic Development Strategy and Action Plan for Fylde, on strengthening the visitor economy. However, the forecast growth in Government service jobs by Cambridge Econometrics is thought to be less consistent with national and local policy expectations.

The forecast average annual rate of employment growth has been assessed at a sector level and compared with BRES data for Fylde over the period 2009 to 2015. Table 3.4 compares historic BRES data with projected future employment growth, so it is expected that there will be some variances in average annual rates of growth. However, it is informative in assessing the realism of the forecasts to see where these variances are most significant. There are some variances to the BRES data which are common under each of the forecasts, including, most notably, a lower rate of decline in manufacturing employment and a lower rate of growth in employment within the professional, finance and other private services sector.

Table 3.4: Average annual employment change

	BRES data 2009 -15	Cambridge Econometrics 2015 - 32	Experian 2015 - 32	Oxford Economics 2015 -32
Accommodation, Food Services & Recreation	60	29	65	21
Agriculture, Forestry & Fishing	0	3	-6	-6
Construction	-90	24	35	16
Extraction & Mining	-	-	-	-0
Information & communication	-30	28	-6	20
Manufacturing	-450	-141	-71	-112
Professional, Finance & Other Private Services	410	82	94	107
Public Services	170	38	12	-8
Transport & storage	-20	-	6	1
Utilities	10	-	-	-2
Wholesale & Retail	-30	15	12	22
Total	30	79	135	59

Source: Adapted from ONS BRES, Cambridge Econometrics, Experian and Oxford Economics

Note: The sector split is based on an amalgamation by AMION of the sectors forecasts provided by each of the three forecasting houses

3.5 Arriving at a likely range of future job growth

The forecasts from the three forecasting houses are all produced using reputable models, considered to be broadly reasonable and up-to-date and there is no reason to consider that either one is likely to be the most accurate. On this basis, and given that the main focus of this report is on total employment change, it is recommended that an average of the forecasts is used rather than selecting one forecast as the preferred baseline scenario. This is consistent with the approach taken by Turley in their Economic Briefing Paper for the Council to explore the implied job growth resulting from an averaging of forecasts and recognising, as noted in Turley's paper, the view of the Inspector examining the South Worcestershire Development Plan, who endorsed taking an average of the forecasts in order to provide '*a better representation of the balance of outcomes*'.

The change in total employment, based on the average of the three forecasts in each year, is summarised in Table 3.5. Overall, total employment between 2015 and 2032 is expected to grow by 1,548 jobs, representing an increase of 3.1%. The average annual change over the period would be an increase of 91 jobs, with a CAGR of 0.2%, which is higher than the rate of growth under the Cambridge Econometrics and Oxford Economics forecasts. This compares to average annual growth between 2009 and 2015, derived from an average of the three forecast datasets, of 114 jobs and a CAGR of 0.2% (see Table 2.3 and Table 2.4). The average of the three forecasts longer-term historic data, from 1991 to 1997, showed average annual growth of approximately 40 jobs and a CAGR of 0.1%.

Table 3.5: Total employment forecasts – based on yearly average of the three forecast datasets, Fylde

	2015 – 19	2019 - 23	2023 - 27	2027 - 32	2015 - 32
Total employment change	278	430	334	507	1,548
Average annual change	69	108	83	101	91
Compound annual growth rate	0.1%	0.2%	0.2%	0.2%	0.2%

Reflecting on the volatility of the historic employment data, as discussed in Section 2, a sensitivity test has been run on the average employment growth across the three forecast datasets using a three-year moving average, as opposed to the change in yearly averages. The results of this sensitivity analysis are set out in Table 3.6. It can be seen that, by using a three-year moving average, the average annual rate of growth falls from 91 jobs to 55 jobs, with a CAGR for the period of 0.1%. This is principally due to a higher employment base in 2014, reducing the overall growth across the period.

While it is standard practice to assess the rate of annual change in employment forecasts based on movements in the data year-on-year, the significant yearly variance in the historic data for Fylde, specifically during the early years of the plan period, does provide a rationale for using a moving average. It is considered that both approaches are credible in this case and can be seen as providing a range within which the likely level of job growth is expected to fall.

Table 3.6: Total employment forecasts – based on three-year moving average of the three forecast datasets, Fylde

	2015 - 19	2019 - 23	2023 – 27	2027 - 32	2015 - 32
Total employment change	-301	424	370	439	932
Average annual change	-75	106	92	88	55
Compound annual growth rate	-0.2%	0.2%	0.2%	0.2%	0.1%

As recognised in Section 2.4, it is appropriate to consider the justification for adjusting published local forecasts based on the effect of external regional, national and global factors and local policy interventions, if these are not already accounted for. One key external factor is Brexit. However, it is apparent that, at this point in time, there is very limited statistical evidence from which to draw conclusions around the impact of Brexit on the Fylde economy. Moreover, the baseline forecasts reflect the three forecasting houses' views on future economic growth within the context of Brexit. Therefore, it is not considered appropriate to make further adjustments.

A key local policy intervention identified in Section 2.4 that could influence the level of employment growth in Fylde is the creation of the Enterprise Zones at Blackpool Airport and Warton. The Employment Land and Premises Study prepared by AECOM¹¹ in 2012 recognised this as a key intervention, with a scenario developed that built in an additional level of employment growth associated with Warton Enterprise Zone. This was treated as a 'policy-on' scenario, rather than the baseline scenario, with additional total employment growth of 500 jobs between 2012 and 2030 projected compared to the 2012 Oxford Economics employment based forecast.

¹¹ AECOM (2012), *Employment Land and Premises Study*

Discussions with representatives from Lancashire Enterprise Partnership, Blackpool Fylde and Wyre Economic Development Company and BAE Systems support the view that both Warton and Blackpool Airport Enterprise Zones will lead to the creation of new employment opportunities in Fylde over the Plan period. There remains though a high degree of uncertainty in terms of the timing, scale and additionality of new employment at the Enterprise Zones, including the extent to which it will be offsetting potential job losses.

Work is currently being undertaken to estimate the number of jobs that will be created at Blackpool Airport Enterprise Zone, while BAE Systems has maturing proposals for the development and use of the first phase of Warton. However, on balance, given the uncertainties, it is not considered there is yet sufficient evidence to make a specific adjustment to the baseline employment forecasts presented in Table 3.5 (or Table 3.6). This position should be monitored and updated as new evidence emerges. It should be noted that if an allowance is made for the creation of additional employment at the Enterprise Zones, this will have implications for an already constrained labour market¹².

In terms of the yearly average and three-year moving average of the three forecast data sets, the level of growth suggested by the yearly average is more reflective of recent historic trends, albeit it is still below the growth in employment seen over some years within Fylde. The implications for job growth of local interventions, such as the Enterprise Zones at Blackpool Airport and Warton, also needs to be noted, despite sufficient evidence not yet being available to make specific adjustments to the baseline forecasts. On balance, it is considered that the likely level of employment growth will be at the upper end of the range suggested by the yearly and three-year moving averages.

3.6 Comparison with 2013 SHMA and Briefing Paper forecasts

As summarised in the Economic Briefing Paper prepared for the Council in March 2017, a number of baseline forecasts have been produced as part of work in support of the 2013 SHMA and Local Plan. These include the following:

- Experian forecasts produced in September 2013, showing employment growth of 990 jobs between 2011 and 2030;
- 2013 Oxford Economics forecasts provided by the Lancashire Enterprise partnership, predicting the creation of 2,807 jobs between 2011 and 2030;
- 2012 Oxford Economics forecasts prepared as part of AECOM's Employment Land and Premises Study, with a 'policy-off' scenario showing employment growth of 1,900 jobs and a 'policy-on' scenario of 2,400 jobs between 2012 and 2030; and
- Oxford Economics and Experian forecasts, reviewed as part of the Economic Briefing Paper, with the average of the two forecasts calculated, showing the creation of 1,006 jobs between 2014 and 2032.

¹² It is noted, for example, in the 2012 AECOM scenario in the modelling of the higher level of job growth associated with the 'Policy-on' scenario that the assumed percentage of economically residents in 2030 was assumed to be 76.6% compared to 74.8% under the baseline 'policy-off' forecast.

The forecasts suggest annual average employment growth within Fylde of between 52 and 148 jobs. This compares to the range identified in Section 3.5 of between 55 and 91 jobs per year. While it is informative to consider the previous forecasts prepared for the SHMA, it is considered that more reliance should be given to the forecasts produced as part of this report, given they reflect an up-to-date understanding of the wider economic context. As set out above, it is expected that the likely level of employment growth will be at the upper end of the range of between 55 and 91 jobs per year.

3.7 Summary of key issues

The key issues emerging from the review of the economic forecasts, specifically in terms of the likely level of employment growth, are as follows:

- there is a relatively high level of variance between the three forecast datasets used to inform this study, with Cambridge Econometrics forecasting growth of 1,342 jobs (2.8%) between 2015 and 2032 and Experian expecting employment to increase by 2,300 jobs (4.5%). In comparison, Oxford Economics forecast that total employment in Fylde will grow by just over 1,000 jobs (2.1%).
- the differences between the forecasts are particularly stark over the first half of the forecast period, with a diverging pattern of employment growth. More stable levels of employment growth are expected over the last five years of the forecast period, with the variances between the three forecast datasets much less notable (each of the forecasts shows a CAGR of 0.2% between 2027 and 2032);
- the principal source of employment growth across the three forecast datasets, between 2015 and 2032, is expected to be the professional, finance and other private services sector. Similarly, the forecasts all show the largest decline in employment being within the manufacturing sector. The main variation between the forecasts is the extent to which employment in the manufacturing sector is predicted to decline, with Experian showing a smaller reduction;
- when compared to historic growth rates between 2009 and 2015, derived from an average of the three forecast datasets, the Experian forecasts show a higher average annual rate of growth, whereas the Cambridge Econometrics and Oxford Economics forecasts indicate a lower rate of growth. If the comparison is made to average annual growth rates using historic employment data between 1991 to 2015, again derived from an average of the three forecast datasets, each of the forecasts show a higher rate of employment growth over the period 2015 to 2032;
- overall, the three forecasts are all considered to be up-to-date and produced using well established and reputable forecasting models. There is no reason to consider that either one is likely to be the most accurate. On this basis, and given the effect of variances in the historic data, it is recommended that an average of the forecasts is used rather than selecting one forecast as the preferred baseline scenario;
- based on the average of the three forecasts in each year, total employment between 2015 and 2032 is expected to grow by 1,548 jobs (3.1%). The average annual change over the

period would be an increase of 91 jobs, with a CAGR of 0.2%. This compares to average annual growth between 2009 and 2015, derived from an average of the three forecast datasets, of 114 jobs and a CAGR of 0.2%, or 40 jobs and a CAGR of 0.1% if historic employment data is used from between 1991 and 2015;

- reflecting on the volatility of the historic employment data, a sensitivity test has been run on the average employment growth across the three forecast datasets using a three-year moving average, as opposed to the change in yearly averages. This results in the average annual rate of growth between 2015 and 2032 falling from 91 jobs to 55 jobs;
- the Enterprise Zones at both Blackpool Airport and Warton are expected to lead to the creation of new employment opportunities in Fylde over the Plan period. There remains though a high degree of uncertainty in terms of the timing, scale and additionality of this impact and it is not considered there is yet sufficient evidence to make a specific adjustment to the baseline forecasts. This position should be monitored and updated as new evidence emerges; and
- it is considered that both approaches to assessing the rate of annual change (yearly and moving averages) are credible, given the significant year-on-year variance in the historic data for Fylde, and can be seen as providing a range within which the likely level of job growth could fall. The more likely level of job growth is though expected to be at the upper end of this range, reflecting historic growth rates and the potential impact of the Enterprise Zones in terms of additional employment growth.

4 Labour market conditions

4.1 Overview

This section assesses historic changes in labour market conditions in Fylde and considers whether reasonable assumptions were made in producing the housing need forecasts set out in the SHMA and subsequent addendums. In particular, it considers whether there are specific labour force characteristics in Fylde that mean alternative assumptions should be modelled.

The POPGROUP model was used in the SHMA to ‘...evaluate the impact of a particular jobs growth trajectory by measuring the relationship between the number of jobs in an area, the size of its labour force and the size of its resident population. Economic activity rates control the relationship between the size of the population and the size of the labour force. The unemployment rate and the commuting ratio determine the relationship between the size of the labour force and the number of jobs available. If there is an ‘imbalance’ between the target number of new jobs and the resident population, then migration is used to redress the imbalance’. (SHMA, page 102, paragraph 7.22 and 7.23)

The SHMA made the following assumptions in relation to economic activity rates, unemployment rates and the commuting ratio (SHMA, Appendix 3):

- economic activity rates – these were derived from a combination of the 2001 Census statistics and the latest evidence from the Labour Force Survey (via NOMIS). In addition, specific adjustments were made to the labour force participation rates in the older age groups to reflect proposed changes to state pension age. From 2020, economic activity rates were kept constant;
- unemployment rates – the core scenarios in the SHMA used the 5-year average unemployment rate for the 16+ age group, which is assumed to remain constant throughout the projection period. The 5-year average rate for Fylde was 5.3%. A 9-year average was also modelled as an alternative scenario (4.7% in Fylde); and
- commuting ratio – this was derived using 2011 statistics from the Annual Population Survey and reflects the balance between the size of the resident labour force and the number of jobs available in the local authority. In relation to Fylde, the ratio was calculated to be 0.80.

The Economic Briefing Paper produced by Turley in March 2017 incorporated a re-running of the POPGROUP modelling using the 2014-based sub-national population and household projections (SNPP/SNHP) to assess the scale of housing need associated with the more up-to-date economic forecasts. In this modelling, a broadly consistent methodological approach to applying labour force assumptions to those used within the Addendum 1 report¹³ has been taken, as requested by the Council, albeit with some adjustments to reflect up-to-date data.

¹³ Turley (2014) ‘Analysis of Housing Need in light of the 2012 Sub-National Population Projections – Fylde Coast Strategic Housing Market Assessment – Addendum’

The modelling presented within the main body of the Briefing Paper therefore made the following assumptions:

- the economic activity rates of all but those aged 60 – 69 were held constant using data from the 2011 Census, with a modest increase applied to older cohorts consistent with the previous modelling;
- an unemployment rate of 4.3% at the base date of the projections (2014) was applied and fixed over the projection period; and
- the commuting rate for Fylde was assumed to remain unchanged at 0.8, based upon the 2011 Census ratio.

The Briefing Paper also considered a sensitivity analysis using alternative labour-force behavior assumptions with these set out in Appendix 2 to the Briefing Paper. The modelling presented within this sensitivity considered the implication of the following alternative assumptions relating to a number of those noted above:

- the application of adjustments to local economic activity rates reflecting forecast changes by age groups (16 – 89) to reflect national evidence provided by the Office for Budgetary Responsibility (OBR);
- the use of the more recent 2015 unemployment rate of 3.3% which as per the assumption set out above is fixed over the projection period; and
- an allowance for a fixed rate of ‘double-jobbing’ (3.6%) based upon an average derived from the Annual Population Survey (APS) drawn from the historic period 2006 – 2015.

The remainder of this Section explores historic changes in economic activity rates in Fylde, as well as unemployment, skills and commuting, to understand the implications of past trends on future labour market dynamics. This includes consideration of the extent to which labour force adjustments applied to date in the housing need evidence are reasonable to assume in the context of the alignment between job growth and implied labour force change, with specific reference to Fylde’s labour force characteristics.

4.2 Population

In 2015, the total population of Fylde was estimated to be 77,300. This represents an increase of 1,200 since 2011 (1.6%) and compares to increases of 0.2% for the Fylde Coast¹⁴, 1.7% for Lancashire, 1.7% for the North West and 2.9% for the UK as a whole over the same period.

In contrast, the working age population has fallen in all comparator areas between 2011 and 2015, except for the UK. In 2015, the working age population of Fylde was estimated to be 44,700 – a decline of 800 working age residents since 2011 (-1.8%). This compares to declines of -2.5% for the Fylde Coast, -1.0% for Lancashire, -0.7% for the North West and an increase of 0.7% for the UK as a whole over the same period (source: ONS population estimates – local authority based by five-year age band).

¹⁴ The Fylde Coast comprises of the Fylde, Blackpool and Wyre local authority areas.

Table 4.1 shows the proportion of the total population in the 0-15, 16-64 and 65+ age groups for Fylde and comparator areas. In both 2011 and 2015, Fylde had a lower proportion of those aged 0-15 years and those of working age (16-64 years) relative to all of the comparator areas. In contrast, Fylde has continued to have a relatively high proportion of those aged 65 and over.

Table 4.1: Age profile % of total population (2011 and 2015)

	Aged 0-15 (%)		Aged 16-64 (%)		Aged 65 and over (%)	
	2011	2015	2011	2015	2011	2015
Fylde	15.9	15.8	59.8	57.8	24.3	26.4
Fylde Coast	16.8	16.8	60.9	59.3	22.3	23.9
Lancashire	18.3	18.3	63.5	61.8	18.2	19.9
North West	18.8	18.9	64.5	63.0	16.7	18.1
UK	18.8	18.8	64.7	63.3	16.5	17.8

Source: ONS population estimates - local authority based by five-year age band

Table 4.2 outlines how the age profile varies by five-year age band for Fylde and for each comparator in 2015. This further demonstrates that Fylde has a comparatively low proportion of younger working age residents (15-19 years to 35-39 years).

Table 4.2: Age profile % of total population (2015)

Age range	Fylde	Fylde Coast	Lancashire	North West	UK
Aged under 1 year	0.8	1.0	1.1	1.2	1.2
Aged 1 - 4 years	3.7	4.2	4.7	5.0	5.0
Aged 5 - 9 years	5.1	5.3	5.9	6.1	6.1
Aged 10 - 14 years	5.0	5.2	5.4	5.5	5.5
Aged 15 - 19 years	5.1	5.5	6.0	5.9	5.9
Aged 20 - 24 years	4.2	5.2	6.7	6.8	6.6
Aged 25 - 29 years	4.6	5.4	6.0	6.7	6.8
Aged 30 - 34 years	4.9	5.2	5.8	6.4	6.7
Aged 35 - 39 years	4.8	4.9	5.5	5.9	6.3
Aged 40 - 44 years	5.9	6.0	6.3	6.4	6.6
Aged 45 - 49 years	7.5	7.4	7.2	7.1	7.1
Aged 50 - 54 years	8.0	7.7	7.2	7.1	7.0
Aged 55 - 59 years	7.3	6.9	6.4	6.2	6.1
Aged 60 - 64 years	6.7	6.2	5.8	5.5	5.4
Aged 65 - 69 years	7.7	7.0	6.3	5.7	5.6
Aged 70 - 74 years	6.2	5.6	4.8	4.3	4.2
Aged 75 - 79 years	4.9	4.6	3.7	3.4	3.3
Aged 80 - 84 years	3.8	3.4	2.7	2.4	2.4
Aged 85 and over	3.8	3.2	2.5	2.3	2.3
Total Population	77,300	326,600	1,191,700	7,173,800	65,110,000

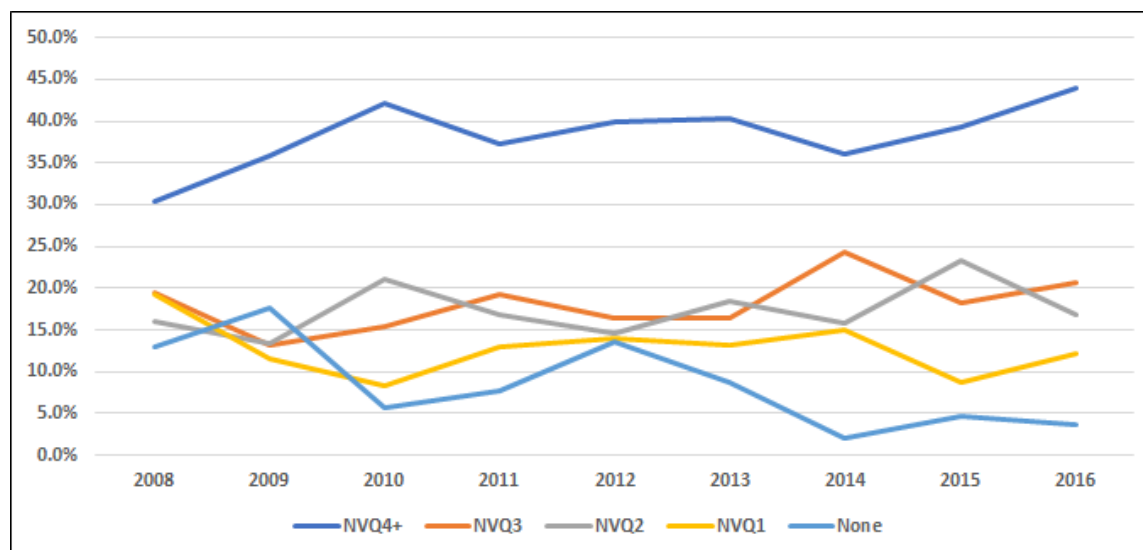
Source: ONS population estimates – local authority based by five-year age band

4.3 Skills of resident workforce

The issue of skills compatibility is likely to be a prime determinant of structural unemployment. Skill levels are also expected to play a prominent role in determining the likelihood of flows between inactivity and activity and determining whether future employment opportunities will be 'open' or 'closed' to local residents. In this way, skills compatibility is another element that contributes to the likelihood of flow adjustments (in-commuting and in-migration) to balance the labour market stocks.

Figure 4.1 sets out the profile of residents' skills between 2008 and 2016. Over the period, the proportion of residents with NVQ4+ level skills increased by 13.7% points, while the proportion of residents with Level 3 and Level 2 equivalent qualifications grew by 1.3% points and 0.7% points respectively. These were balanced by declines for Level 1 of 7.0% points and 9.2% points for no qualifications. Such changes partly reflect natural cohort effects as older members of the workforce are replaced by younger individuals with more certificated skills as well as specific programmes and interventions designed to upskill residents.

Figure 4.1: Fylde NVQ skill profiles (16-64) 2008-2016 (%)



Source: ONS annual population survey (January to December for each year)

Overall, in 2016, 43.9% of Fylde's resident population aged 16-64 were qualified to NVQ4+, in comparison to 38.2% nationally. The Borough also had a higher proportion of residents qualified to NVQ3. Comparing the pattern of improvement with the UK as a whole (see Table 4.3) suggests that Fylde has outperformed the UK, particularly with regard to the increase in the proportion of Level 4+ qualifications. Fylde has also demonstrated a more extensive decline in the share of working age residents with no qualifications.

Table 4.3: The changing share of qualifications 2008 / 2016 (% point change)

NVQ level	Fylde	UK
NVQ4+	13.7%	9.5%
NVQ3	1.3%	1.2%
NVQ2	0.7%	-0.4%
NVQ1	-7.0%	-2.7%
None	-9.2%	-5.5%

Source: ONS annual population survey (January to December for each year)

Fylde's skill profile, with its above average proportion of higher skilled residents and relatively low proportion of residents with no qualifications, is consistent with the area's occupational profile. Table 4.4 shows Fylde's occupational profile by Standard Occupational Classification (SOC) compared to the national average in 2016. It can be seen that Fylde has a greater proportion of residents working in higher order occupations than nationally.

Table 4.4: Fylde's occupational profile (% of employment¹⁵) 2016

SOC Groups	Fylde	Great Britain
Major Group 1-3	51.7%	45.5%
Major Group 4-5	19.8%	20.6%
Major Group 6-7	19.7%	16.8%
Major Group 8-9	_*	17.2%

Source: ONS annual population survey

*Sample size too small for reliable estimate

Note: SOC Groups 1 to 3 include managerial and professional positions; SOC Groups 4 and 5 are skilled and administrative positions; SOC Groups 6 and 7 are caring, leisure and customer service occupations; and SOC Groups 8 and 9 are elementary and unskilled occupations.

4.4 Economic activity rates

Fylde has relatively high economic activity rates¹⁶. Table 4.5 shows that Fylde's economic activity rates over the period from 2012 to 2016 have generally been above regional and national averages.

¹⁵ Columns do not sum to 100% due to rounding.

¹⁶ The economic activity rate refers to the percentage of people aged 16 to 64 who are either employed or unemployed and looking for work.

Table 4.5: Economic activity rates 2012 to 2016 (%)

	2012	2013	2014	2015	2016
Fylde	76.8	75.4	81.1	81.3	78.0
Fylde Coast	73.4	74.9	75.5	76.4	76.6
Lancashire	77.5	74.4	74.3	76.3	78.3
North West	75.3	74.9	74.7	75.3	75.6
UK	76.6	77.1	77.2	77.6	77.7

Source: ONS annual population survey (January to December for each year)

Labour markets are invariably complex in nature and minor changes in incentive frameworks can result in significant adjustments to decisions such as participation. All manner of characteristics and conditions make people decide to be active or inactive. Some of these are personal to individuals and their lifestyles, others reflect structural changes in the labour market due to policy or legislative changes and some simply reflect the business cycle which attracts people to consider work as opportunities expand or discourages people from seeking work as opportunities decline.

With regard to economic activity rate by age band, Table 4.6 compares the economic activity rates for the 16-24, 25-49, 50-64 and 65+ age bands for both Fylde and the UK over the 2013 to 2016 period. The level of variance year-on-year suggests there could be some issues in collecting reliable activity data for Fylde when it is broken down by age bands.

Table 4.6: Economic activity rates by age band 2013 to 2016 (%)

Age-band	2013	2014	2015	2016	2013-2016 (average)
Fylde					
16-24	40.3	60.7	83.2	67.8	63.0
25-49	83.3	87.9	86.8	86.5	86.1
50-64	72.3	79.0	74.9	73.4	74.9
65+	12.7	17.3	12.9	5.8	12.2
UK					
16-24	62.1	61.0	62.5	61.7	61.8
25-49	85.8	86.0	85.9	86.0	85.9
50-64	70.4	71.0	71.9	72.4	71.4
65+	9.8	10.2	10.5	10.5	10.3

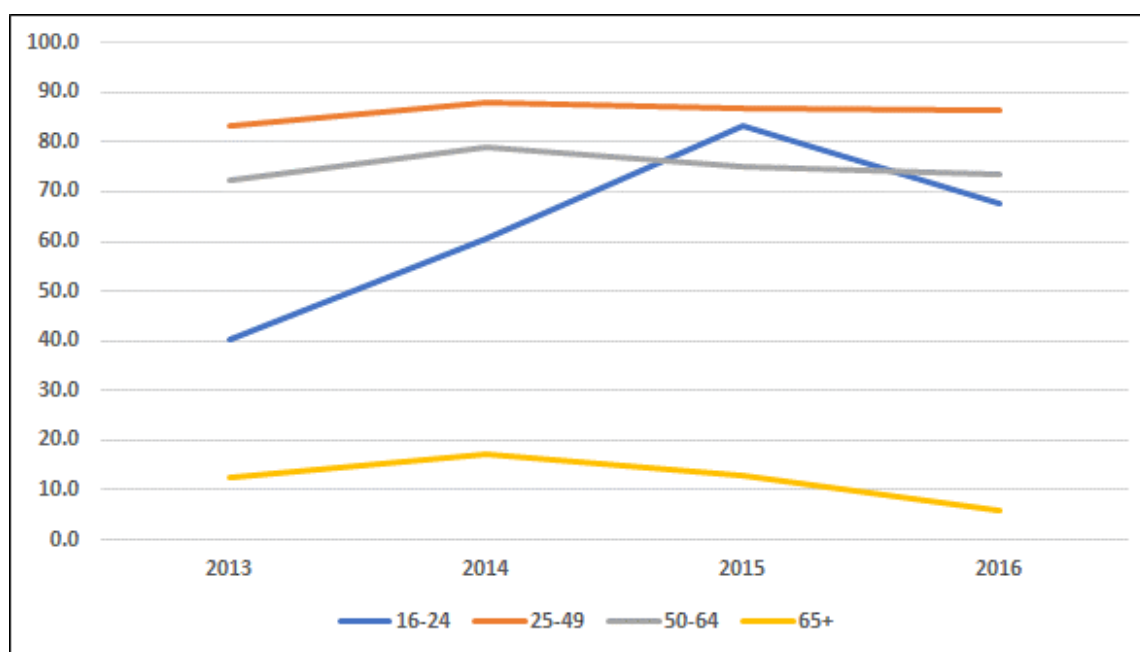
Source: ONS annual population survey (January to December for each year)

Table 4.6 shows that in 2016, the economic activity rates in Fylde were highest for the 25-49 age-band (86.5%), second highest for the 50-64 age-band (73.4%), third highest for the 16-24 age-band (67.8%), with an economic activity rate of 5.8% for the 65+ age-band. This reflects a similar broad profile to that of the UK in the same year. Over the 2013-2016 period, Fylde has

demonstrated a higher average economic activity rate across all age bands compared to the national averages.

Figure 4.2 shows the annual average activity rates in Fylde between 2013 and 2016¹⁷. While there is year-on-year variation, over the period economic activity rates for the 16-24 age-band increased by 28% points; increased by 3% points for the 25-49 band; remained broadly stable for the 50-64 band; and declined by 7% points for the 65+ band. This compares to the UK, where economic activity rates over the 2013-2016 period declined by 0.4% points for the 16-24 band; increased by 0.2% points for the 25-49 band; increased by 2.0% points for the 50-64 band; and increased by 0.7% points for the 65+ band.

Figure 4.2: Fylde economic activity rates 2013-2016 (%)



Source: ONS annual population survey (January to December for each year)

Recent research evidence points to the fact that the UK is undergoing a period of structural change in labour markets. Changes in the availability of defined occupational pension structures, less generous retirement provisions, increasing life expectancy and adjustments to state pension age may all have contributed to increasing participation among older cohorts. The core scenarios in the SHMA and subsequent addendums make allowance for certain structural changes in the labour market by adjusting for modifications in pension age, but they make no further adjustments for other potential structural or cyclical changes.

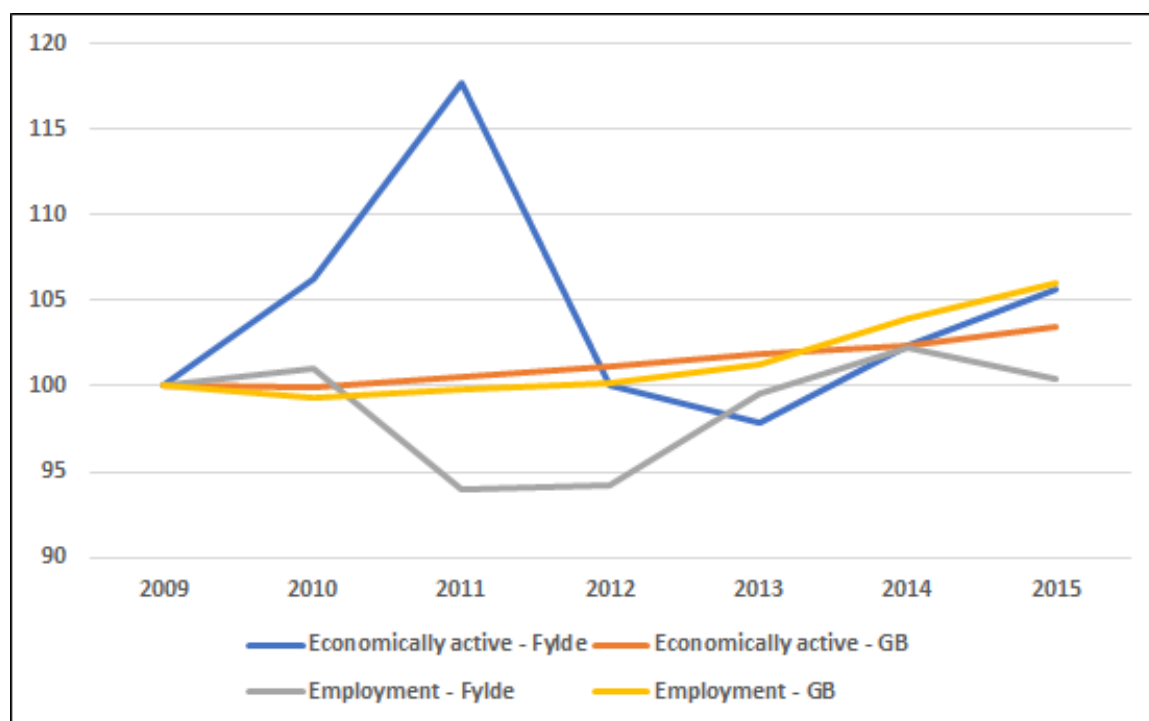
Given the forecasts described in Section 3, it is reasonable to expect that labour force behaviours will change in the context of a growth in employment opportunities. This is likely to increasingly include older cohorts remaining in the workforce, potentially beyond that expected solely as a result of changes to state pension ages. However, taking into account the range of sectors forecast to experience employment growth, it is also likely that an increase in jobs will

¹⁷ Economic activity data was not available for all age groups between 2009 and 2012.

contribute towards retaining and attracting those in the core working age populations, aged 16-64. The longer-term effects are, as yet, uncertain.

There is limited evidence so far that recent employment growth in Fylde has led to a notable increase in activity rates amongst those aged over 65, albeit Census data does suggest a general increase in rates of economic activity amongst older age groups. It should be noted through that there is not always a positive correlation evident between local employment data and reported economic activity rates, as illustrated in Figure 4.3.

Figure 4.3: Indexed change in economic activity and employment (2009 to 2015)



Source: ONS annual population survey (January to December for each year) and BRES

On balance, it is considered that the core assumptions made in the Economic Briefing Paper and applied in Addendum 2, relating to forecast economic activity rates, are reasonable if prudent.

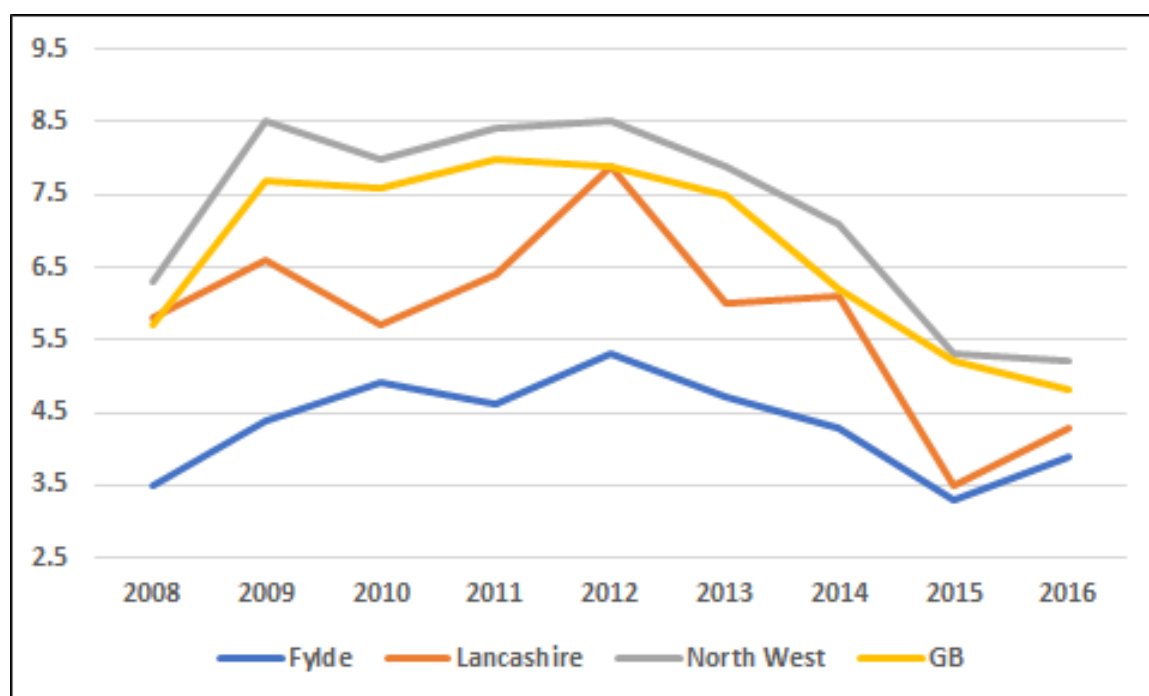
It is considered that there is merit in applying local rates adjusted to reflect projected changes to activity rates from the Office for Budget Responsibility (OBR), with this recognised as a robust long-term assessment of future labour force behaviours. However, given the distinct age profile within Fylde and in particular the suggested skewing towards older cohorts, which is projected to increase over the plan period, as well as uncertainties regarding the extent to which people aged over 65 in the Borough will move into employment, it is prudent to model changes in economic participation rates in line with the OBR datasets as a sensitivity, as done so in the Briefing Paper.

4.5 Unemployment

The unemployed are a subset of the economically active and represent the stock of potential workers not currently in work but seeking work. The higher the stock of unemployed, given existing labour demand, economic activity rates and the suitability of the local unemployed to satisfy employer need, the less likely in-commuting and in-migration will be required to balance labour market accounts. If the skills of the local unemployed are not a 'match' for employer need then a high unemployed stock may still require in-commuting and migration to balance demand and supply. The issue of skills is considered further in Section 4.6 below.

During the period from January 2016 to December 2016, 3.9% of the economically active population of Fylde aged 16+ were unemployed. This compares to 4.3% for Lancashire and 4.8% for the UK as a whole over the same period. In terms of historical trends, Fylde's ILO unemployment rate¹⁸ has consistently been below that of all the comparator areas between 2008 and 2016, as shown in Figure 4.4.

Figure 4.4: ILO unemployment rates, 2008 to 2016 (%)



Source: ONS model-based estimates of unemployment

Maintaining a constant unemployment rate over the forecast period, as is assumed in the POPGROUP modelling for the SHMA and subsequent addendums, represents a simplification, since rates will inevitably vary over time. However, on the basis that there is expected to be some growth in employment opportunities, but that unemployment levels are already at a

¹⁸ The ILO unemployment rate refers to the number of unemployed people in an area as a percentage of the economically active population.

comparatively low level, applying a fixed unemployment rate over the forecast period is not considered to be an unreasonable assumption.

The modelling in the Briefing Paper used the rate of unemployment as recorded at the base date of the projections. In the main body of the Briefing Paper this therefore used the 2014 rate of unemployment. In re-basing to 2015 it is considered appropriate to use the 2015 rate of 3.3% (as shown in Figure 4.4). Whilst this represents a comparatively low level of unemployment, this should be considered reasonable in the context of an assumed growth in jobs and the labour force constraints imposed by an ageing workforce, as noted above.

4.6 Commuting

In terms of commuting, the SHMA identified that the commuting ratio for Fylde is 0.80, meaning that it is assumed there is a net inflow of commuters to the Borough, with this ratio fixed over the projection period. The subsequent addendums and Economic Briefing Paper have retained this assumption, which is considered reasonable on the basis of 2011 Census Travel to Work data. From the 2011 Census, it is estimated that a total of 21,777 people commute into Fylde from other local authorities in the UK and a total of 13,117 people commute out of Fylde. On balance, commuting results in a net inflow of 8,660 people into Fylde.

2011 Census data shows that over 54% of jobs in Fylde are filled by people who reside within Fylde and 41% of people living in Fylde have jobs within the Borough. This data is consistent with previous research and the Fylde economy continues to operate within a travel to work area that includes Blackpool, Wyre and Preston, with significant in and out commuting. The most popular destination for both in and out commuting is Blackpool (see Table 4.7).

Table 4.7: Travel to Work Flows 2011			
Origin / destination	Fylde Inflow	Fylde Outflow	Net Inflow / (Outflow)
Blackpool	7,312	5,167	2,145
Preston	3,320	2,904	416
Wyre	3,353	1,310	2,043
South Ribble	2,112	611	1,501
Chorley	818	235	583
Lancaster	536	343	193
Ribble Valley	358	412	-54
Blackburn	367	218	149
West Lancashire	282	42	240
Hyndburn	123	72	51
Pendle	73	19	54
Rossendale	58	19	39
Burnley	57	32	25
Fylde	15,100	15,100	-
Total	33,869	26,484	7,385

Source: Census 2011

The commuting ratio for Fylde has remained relatively constant, with Census 2001 data also indicating a commuting ratio of 0.8. As shown in Table 4.8, the overall commuting patterns (both in terms of in and out flows) have also been broadly stable. Therefore, while net commuting is likely to vary to a certain degree over the Plan period, it is considered reasonable to assume that the commuting rate will remain unchanged for the purposes of modelling housing need. This could change if significant interventions were brought forward to alter the level of commuting or if employment growth in Fylde was substantially higher than anticipated. However, at present, there is no basis on which to suppose this will be the case.

Table 4.8: Travel to Work Flows 2001			
Origin / destination	Fylde Inflow	Fylde Outflow	Net Inflow / (Outflow)
Blackpool	7,394	4,827	2,567
Preston	3,592	2,825	767
Wyre	3,491	1,270	2,221
South Ribble	1,995	615	1,380
Chorley	660	219	441
Lancaster	435	201	234
Ribble Valley	325	272	53
Blackburn	223	222	1
West Lancashire	205	87	118
Hyndburn	105	72	33
Pendle	48	24	24
Rossendale	42	18	24
Burnley	30	27	3
Fylde	20,453	20,453	-
Total	38,998	31,132	7,866

Source: Census 2001

4.7 Part-time / full-time working and 'double jobbing'

As noted in the introduction to this section, the consideration of sensitivities to labour force behaviors in the Briefing Paper included an adjustment to allow for a small proportion of double-jobbing.

Table 4.9 shows the proportions of both working-age residents working part-time and full-time for Fylde and comparator areas over the 2012 to 2016 period. For Fylde, there is a high degree of volatility in the data; however, it suggests that the proportion of the Borough's residents working part-time has increased substantially over the last couple of years.

Table 4.9: Proportion of residents working part-time / full-time 2012 to 2016 (%)

	2012		2013		2014		2015		2016	
	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time
Fylde	25.3	73.3	24.2	75.8	21.7	78.3	31.3	67.1	34.3	65.7
Fylde Coast	26.4	72.9	27.0	72.4	26.6	73.1	27.3	71.8	29.2	70.3
Lancashire	27.2	72.2	26.1	73.3	24.2	75.8	24.8	75.1	24.8	75.0
North West	26.1	73.3	25.9	73.5	24.8	74.7	24.6	75.2	24.5	75.2
UK	25.9	73.7	25.6	73.9	25.5	74.1	25.4	74.3	25.1	74.6

Source: ONS annual population survey (January to December for each year)

Given the year-on-year variance in the data for Fylde, reference has also been made to ONS BRES data – this will vary from the Annual Population Survey data, as it is a work-place based (rather than resident based) estimate, but it provides further context as to whether there has been a significant increase in part-time working in the Borough.

The ONS data suggests that the proportion of part-time employees working in Fylde has varied year-on-year but remained at broadly similar levels overall (between approximately 23% and 25%). In addition, it is clear from the data that there is generally a lower proportion of part-time jobs in the Borough compared to Lancashire as a whole, the wider region and nationally.

Table 4.10: Proportion of part-time employees 2009 to 2015 (%)

	2009	2010	2011	2012	2013	2014	2015
Fylde	23.0	22.0	23.8	24.4	23.5	25.3	23.5
Lancashire	-	31.7	30.6	31.1	30.1	30.6	28.9
North West	31.9	32.4	32.1	33.3	32.2	32.3	31.3
Great Britain	32.0	32.2	32.5	32.7	32.4	31.7	30.9

Source: ONS BRES

Linked to part-time working is the growing trend of people holding more than one job ('double jobbing'). Table 4.11 sets out the proportion of Fylde residents in employment who have a second job. The average 'double jobbing' figure for Fylde over the period 2009 to 2016 is 3.9%. This is comparable with the averages for the Fylde Coast (3.8%), Lancashire (3.9%), the North West (3.6%) and the UK (3.9%).

In this context, and with regard to the methodological approach to converting jobs to population and modelling housing need, it is reasonable to apply a modest double-jobbing allowance to the forecast employment growth estimates. In doing so, it would be prudent to fix this adjustment over the remainder of the Plan period.

Table 4.11: Proportion of all in employment with second jobs (2009-2016)								
	2009	2010	2011	2012	2013	2014	2015	2016
Fylde	3.3	2.6	4.2	5.1	N/A	N/A	N/A	4.1
Fylde Coast	3.9	3.4	3.2	N/A	N/A	N/A	N/A	4.8
Lancashire	3.5	3.8	3.6	3.7	4.6	4.2	3.8	4.2
North West	3.6	3.6	3.6	3.3	3.6	3.6	3.5	3.6
UK	4.0	3.8	4.0	3.8	3.9	3.9	3.8	3.6

Source: ONS annual population survey (January to December for each year)

4.8 Summary of key issues

The bullet points below provide a summary of the key labour market characteristics for Fylde, along with the issues to be considered in modelling housing need:

- between 2011 and 2015, the total population in Fylde grew at a higher rate (1.6%) than the Fylde Coast (0.2%) but below that of Lancashire (1.7%), the North West (2.9%) and the UK (2.9%). Over the same period, working age population has declined by -1.8% in Fylde compared to -1.0% in Lancashire, -0.7% in the North West and increased by 0.7% in the UK. Fylde has a relatively high proportion of residents aged 65 and over, and a comparatively low proportion of younger working age residents (aged 15-39 years);
- there has been a continuing improving skills profile within the Borough's resident base, with higher level skills increasing at a faster rate than for the UK – between 2008 and 2016, the proportion of residents in Fylde with NVQ4+ skills increased by 13.7% points compared with 9.5% points at the UK level. There has also been a more extensive decline in the share of working age residents with no qualifications;
- Fylde has a relatively high economic activity rate (78.0% in 2016), particularly compared with the regional average (75.6%). The rate for Fylde has generally been higher than sub-regional, regional and national averages for a number of years. There is limited evidence so far that recent employment growth in Fylde has led to a notable increase in activity rates amongst those aged over 65, albeit Census data does suggest a general increase in rates of economic activity amongst older age groups;
- Fylde has continued to have a relatively low unemployment rate, both in terms of the Jobcentre Plus claimant count and the International Labour Office (ILO) measure. During the period from January 2016 to December 2016, 3.9% of the economically active population of Fylde aged 16+ were unemployed. This compares to 4.3% for Lancashire and 4.8% for the UK over the same period;
- according to the 2011 Census, a total of 21,777 people commute into Fylde from other local authorities in the UK, while 13,117 people commute out of Fylde, with a further 15,100 people living and working in Fylde. Over 54% of jobs in Fylde are filled by people who reside within the Borough and 41% of people living within Fylde have jobs within

Fylde. The commuting ratio has remained at approximately 0.8 between the 2001 Census and the 2011 Census; and

- on the basis of BRES data, the proportion of part-time employees working in Fylde has generally been lower than within Lancashire as a whole, the wider region and nationally. The average 'double jobbing' figure for Fylde over the period 2009 to 2016 is 3.9%. This is comparable with the averages for the Fylde Coast (3.8%), Lancashire (3.9%), the North West (3.6%) and the UK (3.9%);
- overall, the core assumptions in relation to economic activity rates, unemployment rates and commuting ratios used in the SHMA addendums and the Economic Briefing Paper are considered to be reasonable as a base position. It is expected that labour force behaviours will change in the context of growing employment, which could lead to increases in older cohorts remaining in the workforce, albeit this would also likely contribute towards retaining and attracting those in the core working age populations (aged 16-64) given the range of industrial sectors forecast to grow; and
- It is considered that there is merit in applying local rates adjusted to reflect projected changes to activity rates from the OBR, with this recognised as a robust long-term assessment of future labour force behaviours. However, it is suggested this is done as a sensitivity (rather than a central scenario), as is the case in the Briefing Paper, reflecting the distinct age profile within Fylde and in particular the suggested skewing towards older cohorts, which is projected to increase over the plan period.

5 Summary

The purpose of this report is to provide an independent view on the likely level of future employment growth in Fylde, building on the previous analysis undertaken to inform the Fylde Coast SHMA and subsequent addendums. The report will be used to inform the preparation of a new Addendum 3 report for Fylde to the 2013 Fylde Coast SHMA which responds to the Inspector's letter to the Council dated the 11 April 2017¹⁹ and presents an updated position on the OAN for Fylde for the period 2011 to 2032. The report has therefore sought to:

- provide a review of the historic economic picture for Fylde, particularly in terms of historic employment growth, as well as considering factors that could influence future growth;
- verify if the three employment forecasts (produced by Cambridge Econometrics, Experian and Oxford Economics) are considered to provide representative and realistic scenarios for planning purposes;
- consider whether, given Fylde's local labour market conditions, reasonable assumptions were used in the modelling of the relationship between employment growth and the implied population growth in deriving the levels of calculated housing need within the 2013 Fylde Coast SHMA²⁰, and subsequent papers published to update the modelling and analysis; and
- conclude as to the reasonable level of future employment growth in Fylde and recommend issues that should be considered in assessing the likely level of local housing need and the implications of these for policy decisions

The report covers the forecast period 2015 to 2032 in order to coincide with the Fylde Local Plan period and in recognition of the base date of the demographic and economic forecast datasets used.

5.1.1 Overview of historic performance

In terms of the analysis of historic trends, an important issue to note is the significant fluctuations year-on-year in the levels of employment in Fylde reported within published ONS BRES data. Between 2009 and 2015, employment is shown as growing by approximately 200 jobs (with a CAGR of 0.1%). However, the level of employment over this period varied from a low of approximately 40,000 (in 2011) to a high of 43,500 (in 2014). This volatility in historic data is likely to influence forecasts of future performance.

Given the volatility year-on-year in the BRES data for Fylde, historic employment data from the three forecasting houses (Cambridge Econometrics, Experian and Oxford Economics) has also been analysed. The average of the three forecast datasets shows employment growth of approximately 700 jobs between 2009 and 2015, representing a CAGR of 0.2%. Over the longer-term, taking the period 1991 to 2015, the CAGR based on an average of the three forecast datasets is 0.1% (or some 40 jobs a year).

¹⁹ EL5.003

²⁰ ED021

As with the BRES data, there is a relatively high level of volatility in the historic employment numbers provided by the three forecasting houses, as well as discrepancies between each dataset. This highlights the sensitivities associated with the timeframe over which historic trends are analysed. However, the analysis within the report has helped to provide an indication of what might be considered a reasonable level of future employment growth within Fylde in the context of historic performance.

5.1.2 *Economic forecasts*

Employment forecasts produced by Cambridge Econometrics, Experian and Oxford Economics, covering the period 2015 to 2032, have been reviewed to inform the assessment of the likely level of future growth. This builds upon the analysis provided within the Economic Briefing Paper (EL2.025 b(ii)) produced by Turley in March 2017, on behalf of the Council. As with the historic employment data for Fylde, there is a relatively high level of variance between the three forecast datasets and, as such, an average of the three forecasts has also been calculated, using both a yearly average and three-year moving average.

Discrepancies between forecasts in terms of historic data is not uncommon and can be attributed to methodological differences in how local employment data is estimated. There is no evident basis on which to presume that any of the employment forecasts is likely to be the most accurate. However, the variances in historic data, and the fact that the extent of the differences between the three datasets changes year-on-year, highlights the challenges in estimating likely future employment growth over a given period.

The Cambridge Econometrics forecasts show average growth within Fylde, between 2015 and 2032, of 79 jobs per year (CAGR of 0.2%). This compares with average growth of 135 jobs per year (CAGR of 0.3%) under the Experian forecasts and 59 jobs per year under the Oxford Economics forecasts.

Overall, the three forecasts are all considered to be up-to-date and produced using well established and reputable forecasting models. There is no clear reason to prefer one set of forecasts over the others. On this basis, it is recommended that an average of the forecasts is used rather than selecting one forecast as the preferred baseline scenario. Recognising the volatility in the historic and forecast data, an average of the forecasts has been calculated both on the basis of a yearly average and a three-year moving average. It is considered that both approaches are credible in the case of Fylde and can be seen as providing a range within which the likely level of job growth is expected to fall.

Based on the average of the three forecasts in each year, the average change between 2015 and 2032 would be an increase of 91 jobs per year, with a CAGR of 0.2%. This is a higher rate of growth than under the Cambridge Econometrics and Oxford Economics forecasts. Using a three-year moving average across the three datasets, the average change over the period would be an increase of 55 jobs per year (a CAGR of 0.1%).

Table 5.1: Total employment forecasts, Fylde					
Forecast employment change – based on yearly average of the three forecast datasets					
	2015 – 19	2019 - 23	2023 - 27	2027 - 32	2015 - 32
Total employment change	278	430	334	507	1,548
Average annual change	69	108	83	101	91
Compound annual growth rate	0.1%	0.2%	0.2%	0.2%	0.2%
Forecast employment change – based on three-year moving average of the three forecast datasets					
	2015 - 19	2019 - 23	2023 - 27	2027 - 32	2015 - 32
Total employment change	-301	424	370	439	932
Average annual change	-75	106	92	88	55
Compound annual growth rate	-0.2%	0.2%	0.2%	0.2%	0.1%

The level of growth suggested by the yearly average of the three forecast datasets is more reflective of recent historic trends than the three-year moving average, albeit it is still below the growth in employment seen over some years within Fylde. The implications for job growth of local interventions, such as the Enterprise Zones at Blackpool Airport and Warton, also needs to be noted, despite sufficient evidence not yet being available to make specific adjustments to the baseline forecasts. Therefore, on balance, it is considered that the likely level of employment growth will be at the upper end of the range suggested by the yearly and three-year moving averages.

5.1.3 Labour market conditions

Within the report, an assessment of historic changes in labour market conditions in Fylde has been undertaken to understand the implications of past trends on future labour market dynamics. This includes consideration of the extent to which labour force adjustments applied to date in the housing need evidence are reasonable to assume in the context of the alignment between job growth and implied labour force change, with specific reference to Fylde's labour force characteristics.

Based on the review of the labour market, it is considered that, on balance, the core assumptions made in the Economic Briefing Paper and applied in Addendum 2, relating to forecast economic activity rates, are reasonable if prudent. It is considered that there is merit in applying local rates adjusted to reflect projected changes to activity rates from the OBR, with this recognised as a robust long-term assessment of future labour force behaviours. However, it is suggested this is done as a sensitivity, as is the case in the Briefing Paper, reflecting the distinct age profile within Fylde and in particular the suggested skewing towards older cohorts, which is projected to increase over the plan period.

In relation to the unemployment rate assumptions applied, the modelling in the Briefing Paper used the rate of unemployment as recorded at the base date of the projections (2014). In re-basing to 2015, it is considered appropriate to use the 2015 rate of 3.3%. Whilst this represents a comparatively low level of unemployment, this should be considered reasonable in the

context of an assumed growth in jobs and the labour force constraints imposed by an ageing workforce, as previously noted.

The SHMA addendums and Economic Briefing Paper retained the assumption within the SHMA that the commuting ratio for Fylde would remain fixed over the Plan period at 0.80. This is considered reasonable and consistent with 2011 Census Travel to Work data. It is also worth noting that the commuting ratio for Fylde has remained relatively constant, with Census 2001 data also indicating a commuting ratio of 0.8.

While net commuting is likely to vary to a certain degree over the Plan period, it is reasonable to assume that the commuting rate will remain unchanged for the purposes of modelling housing need. This could change if significant interventions were brought forward to alter the level of commuting or if employment growth in Fylde was substantially higher than anticipated. However, at present, there is no basis on which to suppose this will be the case.

5.1.4 Implications for the assessment of housing need

In summary, based on the forecasts used to inform this report, it is considered reasonable to assume that the level of future employment growth in Fylde will lie in the range of 55 jobs to 91 jobs per year, between 2015 and 2032. It is expected, reflecting on historic performance within the Borough and the potential impact of local interventions, that the likely level of employment growth will be at the upper end of this range.

Overall, the core assumptions in relation to economic activity rates, unemployment rates and commuting ratios used in the Economic Briefing Paper and applied in Addendum 2 are considered to be reasonable as a base position. It is expected that labour force behaviours will change in the context of growing employment, which could, for example, lead to increases in older cohorts remaining in the workforce, albeit this would also likely contribute towards retaining and attracting those in the core working age populations (aged 16-64) given the range of industrial sectors forecast to grow.

With regard to further implications for the Local Plan, and specifically in the context of the 2012 AECOM Employment Land and Premises Study, it is important to note that the recommended provision of between 26 and 33 ha of additional employment land was not driven by the level of job growth forecast, which did not have a direct bearing on the scale of employment land planned for. Rather, the employment land provision was based off an analysis of past performance in terms of historic land take-up, which is influenced by both demand and supply factors.

