Assessment of Labour Supply Implications

A report for Sefton Council

October 2015

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Executive Summary

Introduction

0.1   BE Group and ekosgen were commissioned by Sefton Council to undertake a review of the local employment projections to provide a deeper understanding of the nature of the growing workforce in Sefton, to inform the Local Plan, and provide supporting evidence to the employment and housing market evidence base. The employment projections are a key input into the Objectively Assessed Need for housing (OAN) and this study considers the assumptions underpinning the employment forecasts and their relationship with the OAN.

Previous Employment Land and Jobs Research

0.2   Three employment land studies have been completed in Sefton over the past five years to assess the supply, need and demand for employment land and premises within the district.

0.3   In general, the reports show that much of the recent employment growth has been in traditional sectors that had declined prior to the recession. Growth has not tended to be in new or emerging industries that have new labour market requirements or draw new jobs into the district. This post-recessionary trend has happened alongside a decline in unemployment within the district, further suggesting that many of these jobs have been taken by local residents.

0.4   The 2015 study found that employment change does not necessarily lead to an increased or loss of land, but is one of many factors influencing land needs. Sefton's land provision is aimed at ensuring there is a choice for businesses that are growing or entering the market, but it does not follow that the provision of a large land supply will result in job creation.

Objectively Assessed Need for Housing

0.5   The NLP OAN sets out a demographically-driven housing OAN Of 690 dwellings per annum (dpa) and an economic led OAN (which assume various scenarios for economic growth) of between 710 and 1,290 dpa. The figure is based on a blended jobs scenario that draws on the Sefton employment forecasts provided by Oxford Economics, Cambridge Econometrics and Experian.

0.6   A major driver of the OAN is projected demographic change in Sefton, specifically an aging population leading to an overall decline in the adult rate of employment (as people above state pension age have significantly lower rates of participation). For example, the OAN 'Job Stabilisation' scenario assumes zero employment growth from 2012 and generates a housing requirement of 712 dpa as by 2030 there will be too few economically active residents to service the level of employment without additional in-migration. Any further employment growth above this level effectively relies on additional in-migration from neighbouring areas and pushes up the local requirement for housing further.
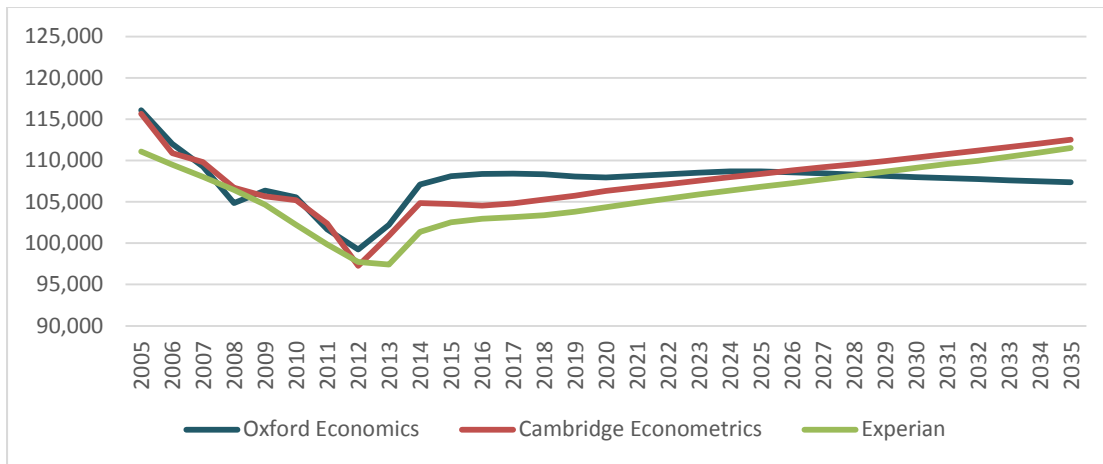
Employment Forecasts

0.7   The three Sefton employment forecasts identified above are 'policy-off' forecasts for the district and cover the Local Plan period (2012-30). The headline level of growth for the plan period varies considerably between the three forecasts, from 8,800 (Oxford Economics) to 11,400 (Cambridge Econometrics). There is also considerable variation at a sector level with, for example, Cambridge Econometrics forecasting significantly more employment growth in Government Services (of almost 4,000 jobs) compared to Oxford Economics (which forecast that Government Services in Sefton will decline marginally over the plan period).

0.8 However there are a number of trends that are common to the three forecasts:

- Sefton is expected to reverse its recent pattern of employment decline, with employment forecast to grow over the plan period.

- The majority of employment growth is expected to occur in the early part of the plan period (between 2012 and 2015). This reflects a recovery from the recent national recession and, to some extent, this has been observed in the most recent local employment statistics.

- Post-2015 employment growth in Sefton is expected to be more stable. Oxford Economics forecast that employment will broadly stabilise post-2015 whereas Experian and Cambridge Econometrics forecast steady employment growth. The average level of employment growth across the three forecasts drops from 2,355 jobs per year between 2012 and 2015 to only 268 jobs per year between 2015 and 2030.

- All of the forecasting agencies expect Financial and Business Services to play a greater role in the economy of Sefton over time, which reflects the most significant structural shift in the local economy.

Employment Forecasts (2005-2035)

Source: Forecasting Agencies (as specified)

0.9 Much of the growth forecast to occur between 2012 and 2015 is expected to occur in sectors that have recently declined – a finding that is consistent with the recent employment land studies – and as such may represent 'replacement demand' if companies are replacing jobs lost prior to 2012. A sector level analysis suggests that between 30% and 50% of forecast employment growth between 2012 and 2015 may be classified as replacement demand. If these jobs can be served by local residents who lost their jobs prior to 2012, this growth may have a relatively limited impact on in-migration and the associated demand for housing.

0.10 Furthermore, while the Local Plan period commences in 2012, it is currently 2015. Much of this employment growth will have already occurred and the workforce is likely to already be accommodated within Sefton or by local commuting patterns. Looking ahead, growth from 2015 to 2030 is unlikely to represent a significant additional demand for housing over the remainder of the plan period.

Population Projections

0.11 As previously described, the Sub-National Population Projections (SNPP) are a major driver of housing demand in Sefton as they assume an aging population where people over 65 are (i) more

likely to live in smaller households and (ii) less likely to be in employment (even after accounting for increases to the state pension age).

0.12 However, two of the three employment forecasts (Oxford Economics and Experian) incorporate population projections and both are forecast to increase in line with or less than the 2012 SNPP. These forecasts incorporate similar assumptions relating to population aging as the SNPP, however Oxford Economics and Experian both assume more stable rates of economic participation among the adult population which reduces the requirement for significant additional in-migration or in-commuting.

0.13 The higher rate of participation relative to the OAN assessment is achieved by a combination of (i) lower unemployment rates among the adult population and higher participation rates among older people.

0.14 Analysis of recent employment trends suggests that there is scope for both of these effects to play a significant part in accommodating Sefton's projected employment growth to 2030. For example:

- The proportion of unemployed people aged over 16 in Sefton was typically around 3% prior to 2008. This increased to 6% between 2008 and 2014. A reduction in unemployment to its pre-recessionary level could result in 5,000 additional jobs being accommodated and reduce the need for further in-migration.

- The economic activity rate for people aged over 65 in Sefton has increased from 4.6% in 2004 to 10.7% in 2014. This has occurred despite the recession, during which the economic activity rate for all age groups declined. The rate of economic activity among older people is still significantly below the rate for people aged 16 to 64 (76%) but any further increase on its current level could make a significant contribution to the amount of employment growth that can be accommodated within Sefton. Increasing participation would not happen uniformly, with rates increasing most among the groups closest to working age (e.g. 65-69). It also does not require that older people will re-enter the labour market, but that over time as people age an increasing proportion will remain in work.

0.15 The study demonstrates that the relationship between economic growth, labour supply change and housing need is complex and caution should be applied in assuming that labour supply increases will necessarily equate to an additional demand for dwellings on a one-to-one basis. Given that much of the forecast employment growth has occurred prior to 2015 and the potential dampening impacts of higher participation and lower unemployment rates, we consider this unlikely to be the case. Examination of the household growth in Sefton prior to 2015, in line with the employment growth between 2011-2015 may provide evidence for this conclusion.

Commuting and Cross-Boundary Considerations

0.16   Sefton has strong linkages to Liverpool and West Lancashire and more limited relationships with Knowsley and Wirral. Over 24,000 people commuted from Sefton to Liverpool in 2011 and a further 5,000 commuted to West Lancashire. Overall 34% of people working in Sefton commuted in from elsewhere and 46% of Sefton's employed residents commuted elsewhere for work.

0.17   Commuting in and out of Sefton is significant, but is assumed to remain relatively stable over time and is consequently not a major factor driving employment or housing demand over the plan period. However the local commuting and migration patterns highlight the complexity of the cross-boundary relationships.

0.18   While it is reasonable to assume stable commuting patterns in the absence of more detailed local evidence, the wide ranging requirements of the OAN scenarios highlight the potential impact of differing demographic assumptions on housing demand within Sefton. When coupled with the wide variation between the three employment forecasts and the potentially dampening effect of lower unemployment and higher rates of participation among older age groups, the potential cross-boundary implications for neighbouring authorities should be considered.

Recommendations

0.19   In light of the findings above, BE Group and ekosgen have provided the following recommendations.

Sensitivity Testing

0.20   Based on the finding above we have proposed the following sensitivity test as additional OAN Scenarios:

- **Estimating housing demand based on growth from 2015.** While not consistent with the local plan period, this approach would consider future demand for housing only, reflecting the fact that a significant proportion of employment growth between 2012 and 2015 is likely to be replacement demand and generate limited demand for housing. Furthermore, any additional employment demand arising between 2012 and 2015 can already be assumed to have been accommodated within Sefton.

- **Lower rate of unemployment (4% average across all age groups).** This will reflect current public policy and restrictions on the groups that are able to access welfare in the future. Based on the SNPP for 2030 this is equivalent to 2% of people aged 16+ being unemployed and falls between the Oxford Economics and Experian long term forecasts for unemployment.

- **Higher rates of participation for over 65s** (of 17.6% across all people aged 65). This is in line with the long term employment trend for this age group. Employment rates will vary by sub-age groups – the largest increase is expected for people aged 65-69 followed by people aged 70-74.

Cross-Boundary Considerations

0.21   In light of the wider variation in housing need that results from the use of differing demographic and employment assumptions and the strong linkages between Sefton, Liverpool and West Lancashire, the appropriate level of housing growth for Sefton should be considered in light of the wider sub-regional context. The cross-boundary impacts of an over or under-provision of housing in Sefton should be considered and evaluated and, given the complex nature of cross-boundary interactions in this area, it may be appropriate for this to be considered as part of a wider sub-regional study.

1   Introduction

1.1   BE Group and ekosgen were commissioned by Sefton Council to undertake a review of the local employment projections to provide a deeper understanding of the nature of the growing workforce in Sefton, to inform the Local Plan, and provide supporting evidence to the employment and housing market evidence base.

1.2   The employment projections are a key input into the Objectively Assessed Need for Housing (OAN) which was estimated by NLP and most recently updated in July 2015[1]. The July 2015 update incorporated the 2012 based household projections released by DCLG in February 2015 and the most up-to-date econometric forecast data for Sefton from the three main forecasting agencies (Oxford Economics, Cambridge Econometrics, and Experian). The latest data combined to increase the need for housing provision for Sefton (i.e. Objectively Assessed Need for Housing or OAN)) to above levels previously forecast.

1.3   The purpose of this study is to review the assumptions underpinning the employment forecasts and their relationship with the OAN. Recommendations are made concerning sensitivity tests that could be incorporated into the OAN to test the extent to which the total housing requirement is dependent on future demographic and employment assumptions.

1.4   The report is structured as follows:

- Review of Past Employment Land and Employment Research

- Overview of the Objectively Assessed Need for Housing (OAN)

- Overview of the headline employment forecasts

- Sector level review of employment forecasts

- Relationship between the employment forecasts and demographic projections

- Findings and recommendations

- Business Survey findings (Appendix)

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[1] HEaDROOM Update Report: Review of Objectively Assessed Need for Housing, 30 July 2015

2   Previous Employment Land and Jobs Research

Background

2.1   Over the last five years three employment land studies have been completed in Sefton – finalised in March 2010, November 2012 and August 2015. All were completed by BE Group. The common goal of all three studies was to assess the supply, need and demand for employment land and premises (use class B) in Sefton. They were carried out to provide robust evidence to underpin and inform the emerging Sefton Local Plan at that point in time.

2.2   A key element of the quantitative evidence base for future demand in each study was the use of econometric forecasts in models that project the likely jobs growth in different industry sectors. The jobs are then translated to land using a formula based on a jobs to floorspace density, which in turn can be translated into the projected land need.

2.3   The findings of this each study are an important source of primary research into issues such as employment and jobs and considered together, show how projections of local economic growth have changed as the economy has moved from recession to recovery.

Report Summaries

Joint Employment Land and Premises Study – March 2010

2.4   This study provided an assessment of the quantity and quality of employment land in four of the Liverpool City Region local authority areas – Halton, Knowsley, Sefton and West Lancashire. It identified the future employment land requirements of these local authorities, which would facilitate local economic growth and support the wider regional economy.

2.5   The study identified a number of relevant socio-economic issues in Sefton. GVA per capita in Sefton lagged behind the North West average.   Manufacturing provides a modest share of employment, compared to the rest of Merseyside, while in all four local authority areas job density figures were below national and regional averages. Conversely, self-employment was above average in Sefton compared to other locations. A summary of other relevant economic points is provide in Table 2.1

Table 2.1: Economic Profile Contrasts at Local Authority Level	
Topic	**Comment**
Low Job Density	The job density was 0.75, compared to a North West rate of 0.85.
Self-Employment Rates	Sefton was above the regional figure of 7.7 percent, at 8.0 percent
Business Start-Ups	Sefton's start-up rate was approximately two thirds of the UK figure at 23 VAT registrations per 10,000 resident adults
VAT Stock Data	Sefton's ratio of 1:39 population compared to a NW figure of 1:30.
Economically Active (proportion of working age population)	Sefton matched the 76.5 percent NW average rate.
Indices of Multiple Deprivation	Sefton was the 83rd most deprived area in England.
Working Age Population Qualifications	In Sefton 15 percent lacked qualifications, slightly better than the NW 15.8 percent figure
Employment Structure	Manufacturing represented only 6.3 percent in Sefton. Public administration represented 39.15 percent of Sefton's employment. 24.81 percent comprised employment in distribution, hotels and restaurants

Source: BE Group 2009

2.6   48.13 ha of land was taken up between 1992 and 2008, around 3 ha/year. The majority of take-up has been for port related uses, although no land had been recorded for this use since 1999-2000. B1 uses represented the second highest take-up of employment land. There had been no B2 uses only take-up since 1997 and less than 0.5 ha of B8 uses since 1999.

2.7   At April 2008, Sefton had a realistic land supply of 57.36 ha. When compared against forecast trends another 7.66 ha was required. However, when losses to initiatives such as the former Housing Market Renewal Programme were taken into account, this increased to 40 ha.

Employment Land and Premises Study Refresh – November 2012

2.8   This study was a refresh of the Sefton-specific elements of the 2010 Joint Employment Land and Premises Study, discussed above.

2.9   Sefton has high skill levels and a low rate of deprivation when compared to the other local authority areas of Merseyside (although there are pockets of deprivation in Bootle and Seaforth). In September 2011, 9.4 percent of the economically active population was unemployed, compared to only 8.2 regionally and 7.9 nationally. Unemployment increased sharply during the recession (up from 6.2 percent in early 2007), however, it remained below the Merseyside average and was lower than in neighbouring metropolitan boroughs.

2.10   The economy of Sefton was noted to be strongly dependant on the public sector, with 42.5 percent employed locally in relevant sectors. In comparison, only 5.1 percent were found to be employed in manufacturing, around half the regional average. It should be noted that a different data

source (BRES) was used in this study to the Annual Business Inquiry information used in 2010, and the two datasets are not readily comparable. In terms of commuting, Sefton also has strong links with neighbouring areas and the Borough is a net exporter of workers to Halton, Knowsley and Liverpool, as well as to Preston, Greater Manchester and Warrington.

2.11   The land supply in 2012, was largely unchanged from that in the previous study, comprising 57.96 ha of employment land, made up of 18 sites. An additional 23.50 ha was required based on past take-up rates. The other three forecast models (employment, labour supply and a 'policy on' scenario) suggested that the Borough has an oversupply of employment land of up to 35 ha. However, these methods took no account of pent-up demand, failures in the property market, land lost to housing developments and other non-employment uses, or the additional 2.63 ha requirement identified by the Port of Liverpool (needed to decant non-port related businesses from within the port expansion area). Adjusting the past take-up figure to take account of these factors increases the identified need to 30.76 ha.

2.12   To help meet this need it was recommended that the Council should also consider options for the release of Green Belt land for future business park developments in both North and South Sefton.

Employment Land and Premises Study Update – August 2015

2.13   This final report was commissioned to assess the supply, need and demand for employment land and premises for the Local Plan period to 2030, and onwards to 2035. It also considered new Local Plan proposals for three new business parks on Green Belt sites at Formby and Maghull, which were informed by recommendations made in the 2012 study.

2.14   Unemployment levels in Sefton have reduced significantly since the height of the recession (noted above) and now stand at 6.3 percent, equal to the pre-recession rate of 6.2 percent in early 2007.

2.15   The strength of the local public sector and modest role of manufacturing continues to be noted.

2.16   In terms of service sectors, professional, scientific and technical and information and communication had the strongest roles and account for a high proportion (17.8 percent) of local businesses. Overall, there were some 8,375 businesses operating in the Borough in 2014. Most of those businesses employ less than ten employees (81.1 percent).

2.17   In terms of commuting, Sefton is a net exporter of labour, with the second largest level of net outflow in the Liverpool City Region (-19,181), after that in Wirral. In 2011 at least, 53 percent of the Borough's working residents lived and worked in the area. This was a fairly average level of self-containment in the Liverpool City Region.

2.18   Reflecting the inclusion of three large greenfield sites and a reorganisation of smaller allocations, the 2015 employment land supply had increased to 82.10 ha of available employment land, made up of 11 sites (which was adjusted to 88.59 ha to allow for the position at the start of the Plan period, in 2012).

2.19   Take up was recalculated in this study. It is now considered that long term take up over 1992-2015 was 69.88 ha, which equates to an annual average take-up of 3.04 ha/year. When considered against long term past take-up rates, the forecast demand was for 54.72 ha to 2030, 69.92 ha to 2035, from a base date of 2012. By this measure a surplus of 18.67 ha will remain at 2035. The other forecast model (baseline employment) suggests the Borough has a sizable oversupply of employment land.

2.20   However, the Local Plan period was also considered likely to see employment land losses to other uses including non-B Class enabling development on some sites; the loss of the former Philips Factory, Southport to housing; some further losses to housing and potentially land lost to Port growth. Including these additional sources of need, reduced the surplus to 17.24 ha in 2030 and 2.04 ha to

2035. The additional five year supply provides a necessary margin of land at the end of the Plan Period to ensure a continuum of supply and choice.

Employment Forecasts

2.21   Table 2.2 below compares the five forecast models, used in the three past studies, comparing rates of forecast jobs change. It should be noted that Cambridge Econometrics figures for the 2012 study cover a 20 year period, while the others cover an 18 year period. However, the additional two years does not seem to have produced a significant variation in the forecast employment growth for this scenario when compared to the others.

Table 2.2: Employment Change by Employee Numbers					
Sector	2010 Study, 2008-2026 period (18 years)	2012 Study, 2011-2031 period (20 years)	2015 Study, 2012-2030 period (18 years)		
	Oxford Economics	Cambridge Econometrics	Oxford Economics	Cambridge Econometrics	Experian
Agriculture, Forestry & Fishing	(200)	(200)	0	400	200
Accommodation, Food Services and Recreation	250	200	(100)	1200	2300
Construction	200	1500	1500	600	1700
Wholesale and Retail	0	(500)	500	Incl. in Food Services	1100
Extraction and Mining	0	0	0	0	0
Finance and Insurance (incl. Real Estate)	Inc.in Professional	400	1100	Inc.in Professional	(200)
Information and communication	Inc.in Transport	100	0	(100)	(200)
Manufacturing	(1500)	(1200)	(500)	0	200
Professional, science, technical and other private services	2700	1400	3000	5400	4400
Public Services	(580)	(1200)	0	4000	900
Transport and storage	(250)	300	500	1300	900
Utilities	0	0	0	0	(100)
Other services/activities	(700)	2000	1600	600	-
Total	**(380)**	**3400**	**8700**	**13400**	**11200**

Source: Experian, Oxford Economics, Cambridge Econometrics, 2008, 2012 and 2015

2.22   The most significant change across the five scenarios is in the total forecast jobs growth for the respective study periods. Figures for the 2010 study, which were commissioned early in the recession, in 2008, project a net loss of 380 jobs. This compares to a jobs growth of 3,400 for the 2012 (i.e. late recession) figures, to 2031. By 2015, when the economy was in recovery, far stronger employment growth rates were forecast of 8,700-13,400 by 2030.

2.23   Within that broader pattern of growth, some key points to note are:

- The forecasts show an improving picture for construction industry employment locally. In 2008, and reflecting a sector hard hit nationally by reduced development prospects, modest growth of 200 jobs was forecast. By 2015, labour growth projections had increased considerably, to a maximum of 1,700 jobs created by 2030. This reflects much improved prospects for new development in a recovering market

- Another sector with greatly improved prospects is transport and storage. Again reflecting an improved national picture, projected jobs growth changed from a loss of 250 jobs in 2008 to growth of up to 1,300 jobs in 2015

- All of the forecasts have projected low or, for the most part, negative growth in manufacturing employment. However, the rate of projected jobs loss in this sector has reduced considerably since 2008 and, in the case of the Experian 2015 forecast, moved to a modest growth projection of 200 jobs.

- Strong growth in professional, science, technical and other private services has been consistently projected in all of the forecasts. After 2008, reasonable jobs prospects are also shown for other services/activities.

- Prospects for growth in in public services have varied considerably through the different forecasts. The 2008 forecasts, produced before large scale public spending reductions were a prospect, and 2012 forecasts, both show the sector losing jobs. Conversely, the 2015 forecasts are more positive, with Cambridge Econometrics in particular predicting a very large gain in employment locally – 4,000 extra jobs by 2030.

Port of Liverpool Business Survey

2.24   This study involved a survey of 800 businesses across Sefton to understand their business needs and whether they envisage expanding in the next 10 years. A more detailed summary of the study has been included at Appendix 1. The main finding coming out of the study was that whilst companies are envisaging some growth in the short term (2 years) and longer term (10 years), employment growth projectors are very modest with the majority of businesses expecting to remain at the same level, or anticipating less that 10 percent increase in jobs.

2.25   The majority of companies report that they have a stable workforce with little turnover of staff recently.

2.26   The date of the survey was November/December 2014, and the findings support the econometric forecasting that looking forward from 2015 employment growth in Sefton will be modest.

Summary

2.27   Over the last five years three employment land studies have been completed in Sefton, in 2010, 2012 and 2015. The common goal of all three was to assess the supply, need and demand for employment land and premises (use class B) in Sefton.

2.28 One point to note is that unemployment levels in Sefton have reduced significantly since the height of the recession. In September 2011, 9.4 percent of the economically active population was unemployed, compared to only 8.2 regionally and 7.9 nationally. The 2015 study showed an unemployment level of 6.3 percent, equal to the pre-recession rate of 6.2 percent in early 2007, with the regional and national rates, 7.2 and 6.4 per cent respectively.

2.29 The pattern of jobs reduction identified in the earlier studies and the subsequent forecasted growth in 2015, reflects the pattern seen in the latest forecasts from 2012 to 2030, where there has been a fall in employment over a longer period, before a post-recession recovery.

2.30 In general, the reports show that the jobs lost are now being replaced in the same traditional business sectors serving Sefton, and that across the successive studies, there are not new or emerging industries that have resulted in new jobs coming into the Borough.

2.31 The activity in land take-up in Sefton during the recessionary period slowed considerably, and in the few years up to 2010, take-up was mainly port related. However, as jobs numbers fell in Sefton, over a longer period from 2002, there was not a largescale release of land, and this provides evidence to the findings of the 2015 study, that employment change does not necessarily lead directly to an increase or loss of land, but instead is one of many factors influencing land needs. Sefton's land provision is aimed at ensuring there is a choice for businesses that are growing or entering the market, but it does not follow that the provision of a large land supply will result in an automatic jobs creation.

3   Overview of the Objectively Assessed Need for Housing

3.1   The NLP OAN report sets out a demographically-driven housing OAN of 690 dwellings per annum (dpa) and an economic-led OAN of between 710 and 1,290 dpa. It recommends that the housing need figure is likely to be towards the upper end of the 710 – 1,290 dpa economically driven OAN range.

3.2   The report sets out ten scenarios which consider various demographic and employment assumptions. These are set out in Table 3.1 below.

3.3   In light of the demographic projections, which assume a significantly aging population for Sefton, the OAN scenarios that include constant or growing levels of employment within the borough generate a significant requirement for additional housing. For example, *Scenario E: Job Stabilisation* requires an addition 712 dpa and the *Scenario H: Blended Jobs* requires 1,286 dpa. The report sets out that this is due to a forecast decline in the number of working age residents.

Table 3.1: OAN Scenarios (2012-30)				
Scenario	**Population Change**	**Jobs Change**	**Dwelling Change**	**Dwelling pa to 2030**
Scenario a: 2012 Sub-National Population Projections	+4,961	-2,642	+10,874	+604
Scenario Ai: SNPP Partial Catch Up to 2008 Headship Rates			+11,291	+627
Scenario Aii: Reduction in Dwelling Vacancy			+10,300	+572
Scenario B: 5 Year Migration Trend	-3,494	-5,801	+7,399	+411
Scenario C: 10 Year Migration Trend	-7,823	-7,805	+7,431	+413
Scenario D: Past Job Trend	-3,236	-5,464	+7,431	+413
Scenario E: Job Stabilisation	+10,114	+0	+12,825	+712
Scenario F: LEP Baseline	+4,248	-2,500	+10,463	+581
Scenario G: LEP Policy On	+12,908	+900	+13,980	+777
Scenario H: Blended Jobs	+35,625	+10.099	+23,147	+1,286

Source: NLP HEaDROOM Update Report: Review of the Objectively Assessed Need for Housing, July 2015

4   Employment Forecast Overview

Plan Period (2012-30)

4.1   Sefton's Local Plan Period runs from 2012 to 2030 and the OAN has been assessed over the same period. A summary of the headline employment forecast from the three main forecasting agencies is set out in Table 4.1 below. Figure 4.1 also illustrates how employment in Sefton is expected to change over time[2].

Table 4.1: Employment Forecast Overview			
	2012	**2030**	**Change 2012-30**
Oxford Economics	99,250	108,008	8,758
Cambridge Econometrics	97,255	110,355	13,100
Experian	97,712	109,123	11,412
Average	*98,072*	*109,162*	*11,090*

Source: Forecasting Agencies (as specified)

4.2   On average the three forecasting agencies forecast that employment will increase by 11,100 between 2012 and 2030. However the forecast vary significantly between Oxford Economics, which forecasts employment growth of 8,800 over the period and Cambridge Econometrics which forecasts growth of 13,100.

Figure 4.1: Employment Forecasts (2005-2035)
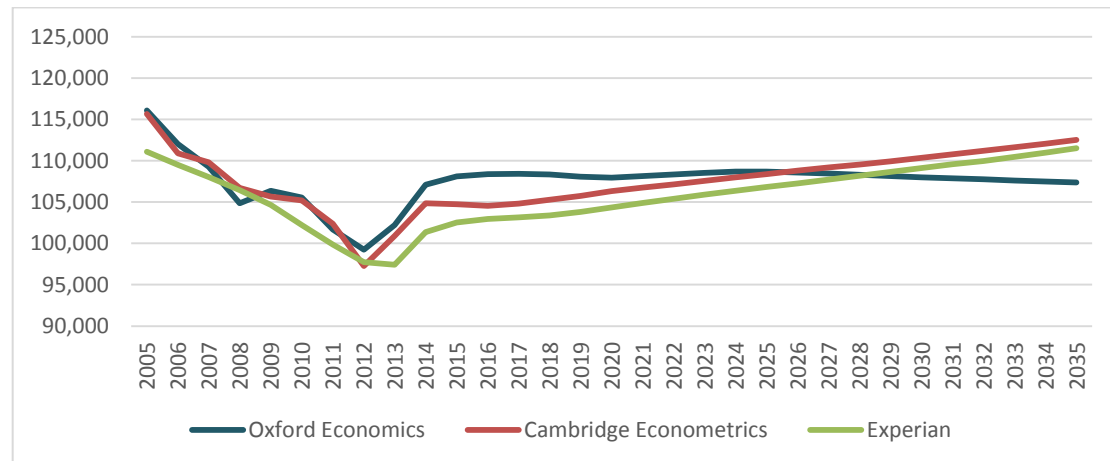
Source: Forecasting Agencies (as specified above)

4.3   The differences in sector level forecasts that explain some of this variation are presented in the next section, however when reviewing the time series data over a longer period (including recent employment trends) the following characteristics of the forecast become clearer:

- The employment forecasts are set against a context of longer term employment decline in Sefton. All forecasts expect an improvement over recent trends.

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[2] Unless otherwise stated, all employment in Sefton refers to workplace employment (i.e. the number of people working in Sefton).

- The majority of employment growth is expected to occur in the early part of the plan period (between 2012 and 2015). 2012 represents the lowest point for employment in recent years and the period to 2015 represent a period of recovery following the national recession.

- By 2015, employment in all of the forecasts is expected to be broadly in line with its level in 2009/10.

- Post 2015 the employment forecast for Oxford Economics differs significantly from the other two. Oxford Economics forecast that post-2015 employment in Sefton will stabilise and then decline marginally towards the end of the plan period. In contrast, Cambridge Econometrics and Experian both forecast steady rates of employment growth. This represents two very different views of the future growth trajectory of Sefton.

By Sub-Periods (2012-15 and 2015-30)

4.4   To highlight the extent to which the employment forecasts differ before and after 2015, the total level of employment growth is separated out in Table 4.2 below. Employment growth between 2012-15 prior to 2015 ranges from 1,600 to almost 3,000 jobs a year. After 2015, this drops to between 440 jobs in the Experian forecasts to a marginal reduction in jobs per year in the Oxford Economics forecast.

4.5   While Oxford Economics predicts the strongest post-recession recovery, it is most pessimistic about Sefton's long term employment trends. Conversely, Cambridge Econometrics also forecast a strong recovery to 2015 and a steady growth rates after this period.

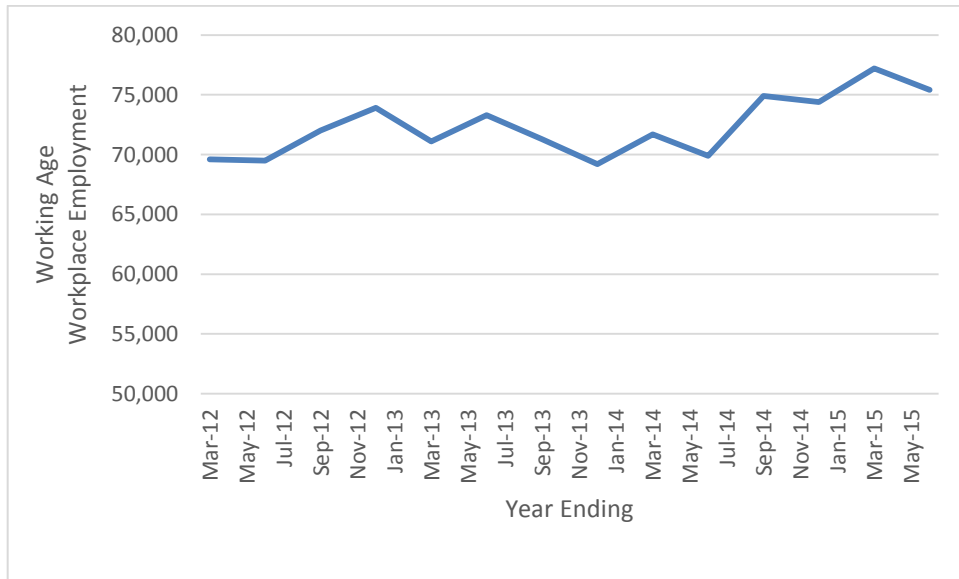| Table 4.2: Employment Forecasts – by Period				
	Employment Growth		Annual Employment Change	
	2012-15	2015-30	2012-15	2015-30
Oxford Economics	8,866	-108	2,955	-7
Cambridge Econometrics	7,501	5,599	2,500	373
Experian	4,826	6,585	1,609	439
Average	*7,064*	*4,026*	*2,355*	*268*

Source: Forecasting Agencies (as specified)

4.6   In relation to the employment forecasts for the period 2012 to 2015, clearly this period has already passed and we can compare the trends to the available data. Figure 4.2 below presents the Annual Population Survey (APS) estimate of workplace working age employment in Sefton. The figures are not directly comparable to the employment forecasts as they cover the number of employed people, rather than the number of jobs, and only include working age people[3]. However, the figure provides an indication of local employment trends.

4.7   The figures from the APS confirm that employment in Sefton has increased since 2012 and reports that employment grew by 5,900 or 8% between June 2012 and June 2015. This is lower than the average employment growth forecast above, but suggest that there has been significant employment growth over this period.

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[3] Compared to Census 2011 data, it is also possible that the APS underestimates workplace employment in Sefton, which may be due to sampling variability for small areas.

Figure 4.2: Sefton Working Age Workplace Employment

Source: Annual Population Survey

5 Employment Forecast: Sector Level Analysis

By Plan Period (2012-30)

5.1   Turning to the sector level employment projections, the forecast growth for each sector is presented below. There is variation in employment growth for every sector, which will to some extent reflect the prevailing level of headline growth presented in the previous section.[4]

Figure 5.1 Sector Level Employment Forecasts
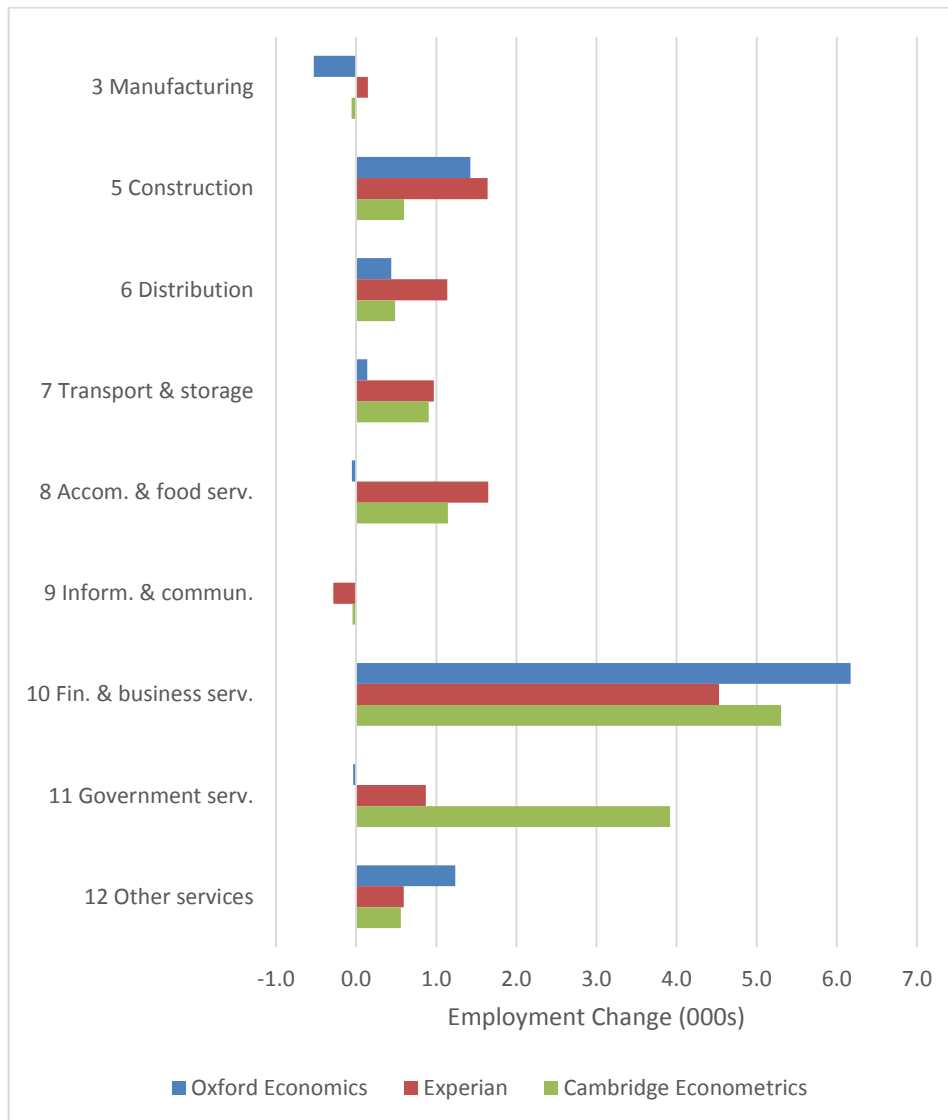
Source: Forecasting Agencies (as specified above)

5.2   The main variation between the forecasts are:

- Cambridge Econometrics forecasts significant growth (almost 4,000 new jobs) among Government Services. This compares to zero and modest growth under

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[4] Note – Agriculture, Mining & Quarrying and Utilities have been excluded from this analysis as they make up a very small proportion of total employment in Sefton.

the other two forecasts. Given recent employment trends and anticipated government policy, we would question whether this level of growth is likely to be achieved. Variation in employment in this sector along accounts for 90% of the difference in headline growth forecast between Oxford Economics and Cambridge Econometrics.

- Oxford Economics is also more pessimistic about the future of manufacturing in Sefton compared to the other two agencies that forecast a more stable level of employment. It is also more pessimistic about growth prospects relating to Transport & Storage and Accommodation & Food Service.

- In contrast Oxford Economics forecasts stronger growth among construction and Other Services.

5.3   All of the forecasting agencies expect Financial and Business Services to play a greater role in the economy of Sefton over time, which reflects the most significant structural shift in the local economy.

5.4   However, given the variation in the headline trend before and after 2015, it is also important to consider how the sectoral trends differ across these two periods. It will also be useful to consider what proportion of growth between 2012 and 2015 may reflect people that recently lost their jobs returning to work, as this may have a different impact on housing demand compared to new entrants into the local labour market.

By Sub-Periods (2012-15 and 2015-30)

5.5   Table 5.1 presents employment growth by forecast for the period 2012-15. It also contrasts this growth to recent workplace employment growth from the Business Register and Employment Survey.

Table 5.1: Employment Growth 2012-15			
	2009-12	**2012-15**	
	BRES	**Oxford Economics**	**Experian**	**Cambridge Econometrics**
3 Manufacturing	-1,700	300	200	400
5 Construction	-500	300	400	200
6 Distribution	-400	400	0	-100
7 Transport & storage	600	400	600	700
8 Accom. & food serv.	-1,000	-200	300	0
9 Inform. & commun.	200	-200	-200	-100
10 Fin. & business serv.	800	4,500	3,100	3,700
11 Government serv.	-3,500	2,700	-400	2,300
12 Other services	-1,500	700	600	100
Total	**-7,000**	**8,900**	**4,600**	**7,200**

Source: BRES (ONS) and Forecasting Agencies (as specified)

5.6   It is clear that a significant proportion of employment growth forecast for the period 2012-15 is within sectors that have recently declined. For example, growth in the manufacturing sector ranges from 200 to 400 jobs, but compares to a recent employment decline of 1,700. It is reasonable to assume that at least some of these jobs may go to people that previously worked in the sector within Sefton.

5.7   In all sectors where employment declined between 2009 and 2012, the projected level of growth is less than the recent decline and consequently the sector's employment in 2015 is below its level in 2009.

5.8   The most significant variation from this trend is Finance and Business Services, which has experienced relatively strong growth in recent years (of 800 jobs against a backdrop of declining unemployment) and where employment is expected to increase significantly between 2012 and 2015. This sector is expected to be the single most important sector in driving Sefton's local employment growth.

5.9   At this broad sector level, it is possible to estimate that between 30% and 50% of forecast employment growth is within sectors that have recently declined. The proportion varies according to the employment forecast used – it is highest for Oxford Economics as they forecast the strongest growth over this period and lowest for Experian. In many cases the new jobs may be different to the jobs recently lost (i.e. in different sub-sector, with different employers, or requiring a different skills set), however it is reasonable to assume that some of these jobs will go to former Sefton employees that lost their jobs prior to 2012. In this sense, it can be thought of as 'replacement demand' for labour.

5.10   The main source of 'new demand' for labour (i.e. sectors that have not declined recently and so any employment growth over 2012-15 is in addition to previous demand) is Financial & Business Services. This sector accounts for between 80% and 90% of non-replacement demand in Sefton over this period.

5.11   Looking ahead to the period 2015 to 2030, the variation in employment growth is less significant. Employment growth is less than 2,000 for all sectors and, beyond a couple of exceptions, variation in the forecasts is around 100 to 200 jobs.

5.12   However, the lower forecasts for Oxford Economic reflect the more pessimistic headline employment growth under this forecast. Oxford Economics also forecast a further significant decline in public sector employment that is not consistent with Experian and Cambridge Econometrics.

Figure 5.2: Sefton Forecast Employment Change 2015-30
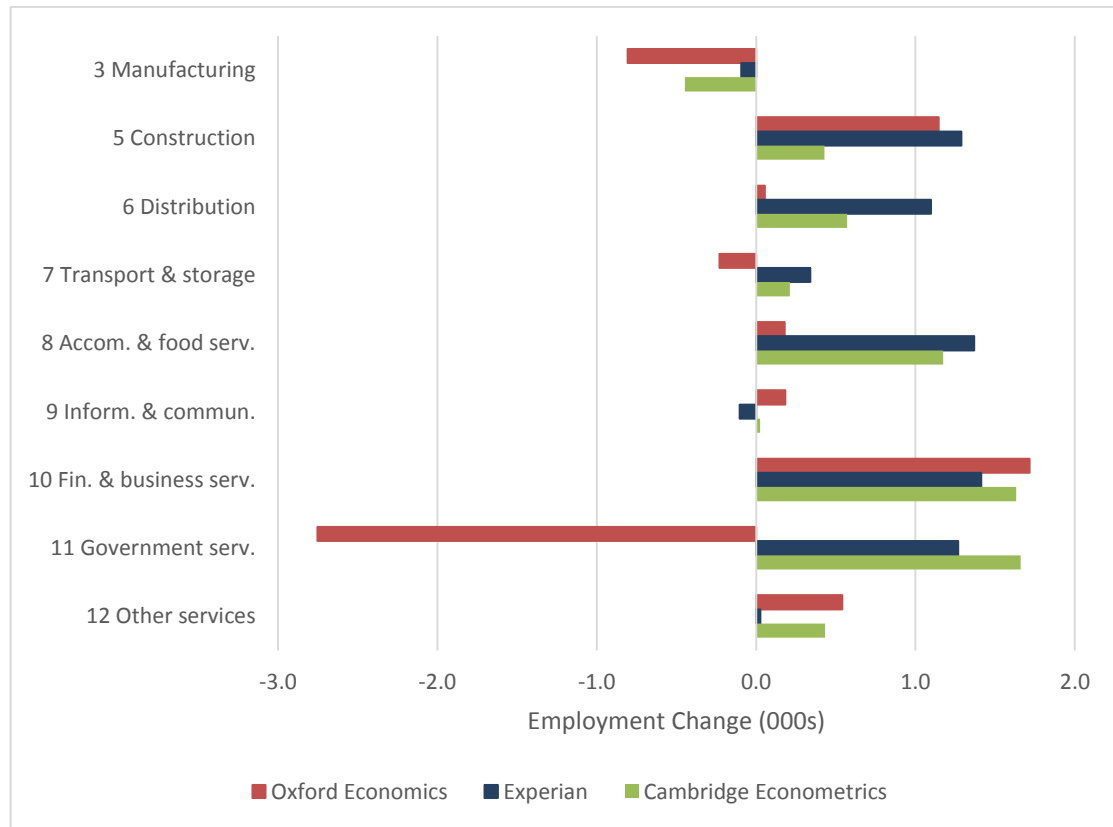
6 Fit with Population Projections

6.1 The interaction between employment and population growth is of critical importance to understanding housing need in Sefton. Typically we would expect population and employment trends to be broadly consistent over time, however it is possible for them to diverge due to the following reasons:

- **Commuting patterns**: can result in diverging population and employment trends in local areas if, for example, an increasing proportion of the local workforce commute into the area from elsewhere.

- **Population age profile**: if a population is expected to age over time, a smaller proportion of the population will be of working age, which may reduce the number of people available for work and constrain employment.

- **Economic Activity**: if economic activity changes over time, this will effectively change the size of the local labour force. An aging population may reduce economic activity over time (as older workers are less likely to be in employment or seeking work, as described above), but economic activity rates can also vary within specific age groups. For example a shortage of employment opportunities (or shifting demand for labour) may result in people stopping looking for work and reduce the economic activity rate.

- **Unemployment**: Even if people are activity seeking employment, they may not be able to find appropriate employment opportunities. The prevailing rate of unemployment will have an impact on the size of the labour force.

6.2 The employment forecasts do not exist in a vacuum. They are based on a series of national and local assumptions relating to the forecast level of global and national economic growth, recent local employment trends and, in some cases, the availability of local labour. The population assumptions adopted by each of the forecasting agencies are summarised below.

Economic Forecasting Population Assumptions

All of the economic forecasts reviewed by BE Group and ekosgen are 'policy-off' scenarios – they are based on existing trends and known policy impacts (e.g. the committed increase to the State Pension Age). They do not incorporate local or national policy aspirations and effectively present a baseline growth position.

Cambridge Econometrics

- Cambridge Econometrics forecasts are unconstrained relative to population.

- The forecasts assume that there will always be a local labour supply to meet demand.

- In reality, if local labour supply constraints result in a mismatch between demand and supply, local growth may be constrained below the forecast level.

Experian

- Population grows in line with the DCLG Sub-National Population Projections (SNPP).

- Local commuting patterns are stable (i.e. approach uses a stable commuting matrix).

- Mismatch between labour demand and supply impacts on local participation rates.

- Approach assumes that economic activity rates of people above State Pension Age will increase over time.


Oxford Economics

- Develop in-house population forecasts as OE assume that international migration is a function of economic growth (with in-migration increasing in periods of strong economic growth). With future economic growth forecast to be lower than in previous years, OE expect net migration into the UK to reduce.

- Consequently, forecast population growth for Sefton is below the DCLG SNPP.

- Local commuting patterns are stable (i.e. approach uses a stable commuting matrix).

- Mismatch between labour demand and supply impacts on local participation rates.

Sub-National Population Projections

6.3   The Sub-National Population Projections for Sefton forecast relatively modest population growth between 2012 and 2030 (of 5,000 people or 300 people a year). However, this compares to a decline in the working age population of 16,000 people or 900 a year. In addition, the number of households is expected to increase by 10,000 or 570 a year reflecting a declining average household size and the lower average household size among older people.

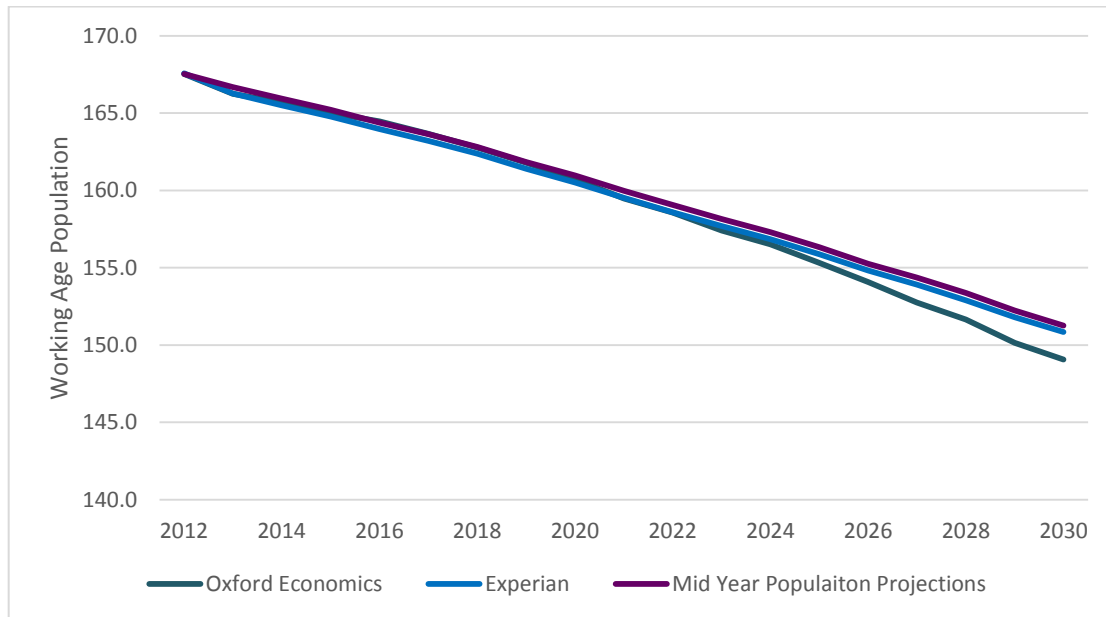**Figure 6.1: Sub-National Population Projections**
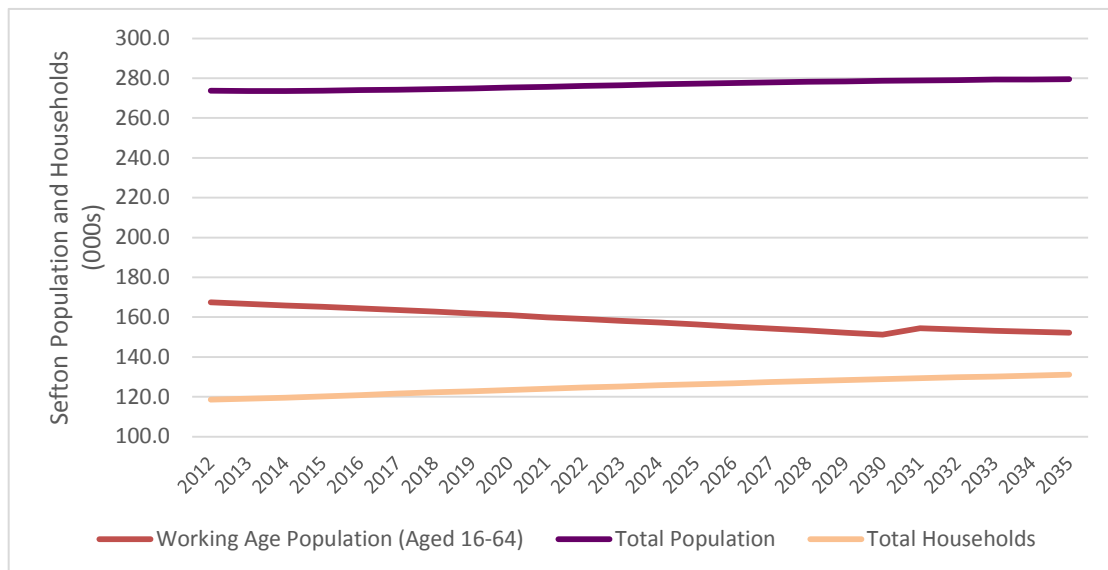
Source: Sub-National Population Projections (DCLG, 2012)

6.4   It is the declining working age population coupled with forecast employment growth that drives the significant housing requirements for Sefton. However, as identified above, when considering the relationship between employment and population, in addition to the population age profile, it is also important to consider commuting patterns, economic activity and unemployment rates.

6.5   As Experian incorporates the SNPP and Oxford Economics incorporate a more conservative level of population growth (presented in Figure 6.2 below), accommodating the suggested level of employment growth in each forecast must require an alternative set of assumptions relating to commuting and participation. These are explored in greater detail below.

Figure 6.2: Working Age Population Projections, by Forecast (where provided)

Source: Forecasting Agencies and Sub-National Population Projections (DCLG, 2012)

Commuting Patterns

6.6   Commuting patterns to and from Sefton are significant. In 2011, 34% of people that worked in Sefton commuted from outside the district. Conversely, 46% of Sefton's employed residents commuted out of Sefton to access employment. Overall net out-commuting from Sefton stood at almost 18,700 in 2011.

6.7   Sefton has a very strong relationship with Liverpool, with strong movements of people in both directions. In 2011, 41% of people commuting into Sefton for employment did so from Liverpool. Conversely, 51% of people that commuted out of Sefton did so to work in Liverpool. Overall, more people commute from Sefton to Liverpool and net commuting between these two authorities Liverpool was 12,700 in 2011. For all other local authorities, net commuting is less than 1,000 people.

6.8   There is also a significant labour market relationship between Sefton and West Lancashire, with more than 5,000 people travelling in each direction between the two neighbouring authorities to access employment. However, these flows are much more evenly matched, compared to Liverpool and, in 2011, net in-commuting from West Lancashire to Sefton was relatively modest (circa 250 people).

6.9   Table 6.1 below presents the commuting patterns for all local authorities where flows to and/or from Sefton are greater than 150 people. Besides the two main relationships described above:

- Knowsley and Warrington are both relatively significant employment destinations for Sefton residents (attracting 3,800 and 1,200 Sefton residents respectively).

- Sefton is a relatively significant employment destination for residents of Knowsley, Wirral and St. Helens (attracting 3,000, 1,900 and 1,400 employees respectively).

6.10   The HEaDROOM Update Report finds similar patterns for recently moving households within the Merseyside Sub-Region Housing Market Area (HMA). It states that *'the strongest migratory relationship is between Liverpool and Sefton, with 2,055 people migrating from Liverpool to Sefton and 2,467 people moving in the opposite direction. Outside this area,*

there are high levels of interdependency between Sefton and West Lancashire and, to a lesser extent, Knowsley and Wirral.'

6.11 Clearly, there is a complex relationship of commuting and migration patterns to and from Sefton. There many factors that influence commuting decisions, however the relative geographic distribution of employment and housing growth will be a major factor.

Table 6.1: Sefton Commuting Patterns	Commute into Sefton for Work	Commute out of Sefton for Work	Net Out-Commuting
Liverpool	11,542	24,208	12,666
Knowsley	2,966	3,886	920
Warrington	406	1,246	840
Preston	186	886	700
Manchester	166	797	631
Halton	474	819	345
Salford	95	420	325
Trafford	98	350	252
South Ribble	402	619	217
Fylde	57	267	210
Cheshire East	92	185	93
Flintshire	94	161	67
Cheshire West and Chester	449	495	46
Chorley	360	400	40
Bolton	162	194	32
Wigan	800	772	-28
St. Helens	1,411	1,324	-87
West Lancashire	5,476	5,220	-256
Wirral	1,918	1,194	-724
Elsewhere (excluding Sefton)	1,324	3,721	2,397
Total (excluding Sefton)	**28,478**	**47,164**	**18,686**
Live and Work in Sefton	55,569	55,569	
% Commuters	34%	46%	

Table includes all local authorities where commuting flows with Sefton are greater than 150.

Source: Census 2011

6.12 Forecasts of net commuting patterns to Sefton are provided with the Oxford Economics Forecasts. These forecasts (presented in Figure 6.3) reiterate the level of net commuting from Sefton and expect it to continue. This is a direct outcome of the Oxford Economics forecasting assumptions of a 'stable commuting matrix' – i.e. that the relative distribution of commuting flows between local authorities remains constant over time.

Figure 6.3: Forecasted Net Commuting to Sefton
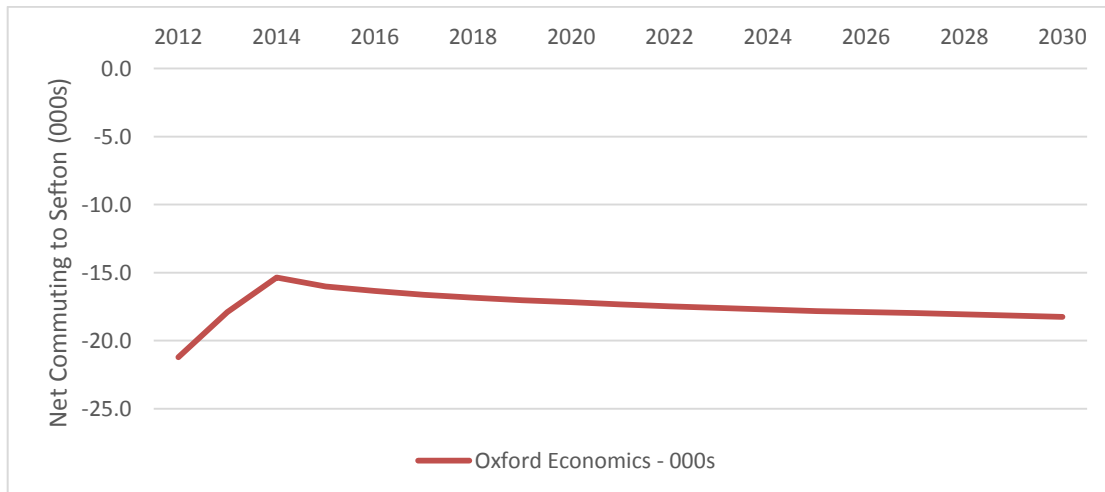
Source: Oxford Economics

6.13   Net commuting from Sefton is expected drop between 2012 and 2014 and gradually increase over the remainder of the plan period. In line with the assumptions above this will reflect the relative strength of the local economies that interact with Sefton.

- The reduction in out-commuting between 2012 and 2014 will reflect the significant employment growth forecast for Sefton over this period.

- The steady increase in out-commuting from 2014 is because employment in Liverpool is forecast to outpace Sefton, resulting in a greater number of people commuting from Sefton to Liverpool.

6.14   Given that net out-commuting is expected to continue over the plan period and is expected to increase marginally post-2014, this does not explain how the economic forecasts for Sefton can accommodate higher levels employment, despite a decline in the number working age people.

Unemployment

6.15   Both Oxford Economics and Experian expect the proportion of unemployed people to decline over time. Information is not available on the forecast rate of unemployment as they do not forecast the number of economically active people, however Figure 6.4 below presents the forecast proportion of people aged 16+ that are unemployed. (Note – this proportion will be lower than the official unemployment rate which is based on the number of economically active people).

Figure 6.4: Forecast Unemployment
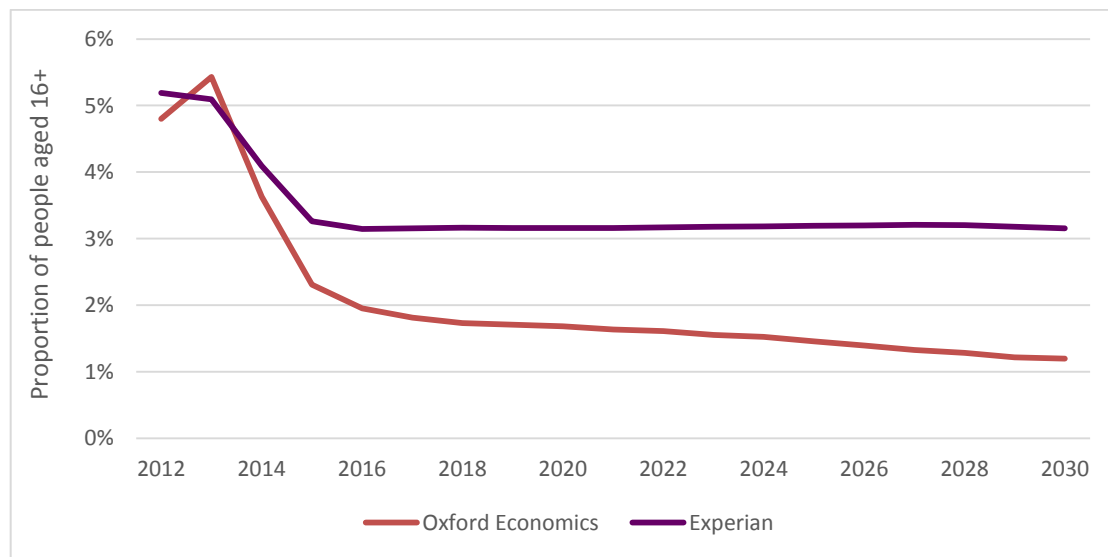
Source: Oxford Economics and Experian

6.16   For context, in 2015, 3% of the population aged 16+ were unemployed in Sefton, which is in line with the typical rate prior to 2008. During the period 2008 to 2014 the proportion of unemployed increased to 6%.

6.17   The Experian forecasts assume that unemployment will return to this pre-2008 level and remain relatively constant after 2016. Oxford Economics assume that unemployment will decline further and steadily decrease over the plan period.

6.18   These assumptions can have a significant impact on the total level of employment that can be accommodated for a given population. Based on the SNPP level of population in 2030, the forecast decline in unemployment between 2012 and 2030 could result in 5,000 additional jobs in the Experian Forecast and 8,300 additional jobs according to the Oxford Economics forecast (assuming that people move from unemployment to employment, rather than economic inactivity).

6.19   It is not possible to make a direct comparison with the NLP assumption, as that is based on the unemployment rate. NLP assume that the unemployment rate will fall to 5.8%. However, based on the NLP participation rate assumptions and the SNPP projected number of people aged over 16+ in 2030, this suggests that the proportion of people aged 16+ that are unemployed may fall to 3% in the NLP forecast. This is in line with the Experian forecast, but above the level forecasted by Oxford Economics.

6.20   The Oxford Economics forecast may seem optimistic, however there is a significant drive by government to reduce unemployment and the number of people on benefits. If these policies are effective, we may expect to see rates of unemployment drop further in the longer term and it may be reasonable to include a more significant drop in unemployment as a sensitivity test.

6.21   While the variation in unemployment rates between may appear to be minor, it can have a significant impact on housing demand, for a given level of employment growth. Every one percentage point difference in the proportion of people aged 16+ assumed to be unemployed will equate to 2,300 additional local people in employment in 2030, reducing the requirement for in-migration and in-commuting to meet projected local labour demand.

Employment

6.22 In addition to unemployment, the rate of employment can change over time. The Oxford Economics and Experian employment assumptions, including past trends to 1995 are set out in Figure 6.5. It is clear that rates of employment have increased significantly in the past two decades – between 8 and 10 percentage points from 1995 and 2015.

6.23 Between 2015 and 2030, Oxford Economics expect the rate of economic activity to remain relatively constant (at 56%) while Experian expect the rate to increase steadily to 59%. By comparison, 54% of people aged 16+ are currently in employment in Sefton.

Figure 6.5: Sefton Employment Rate
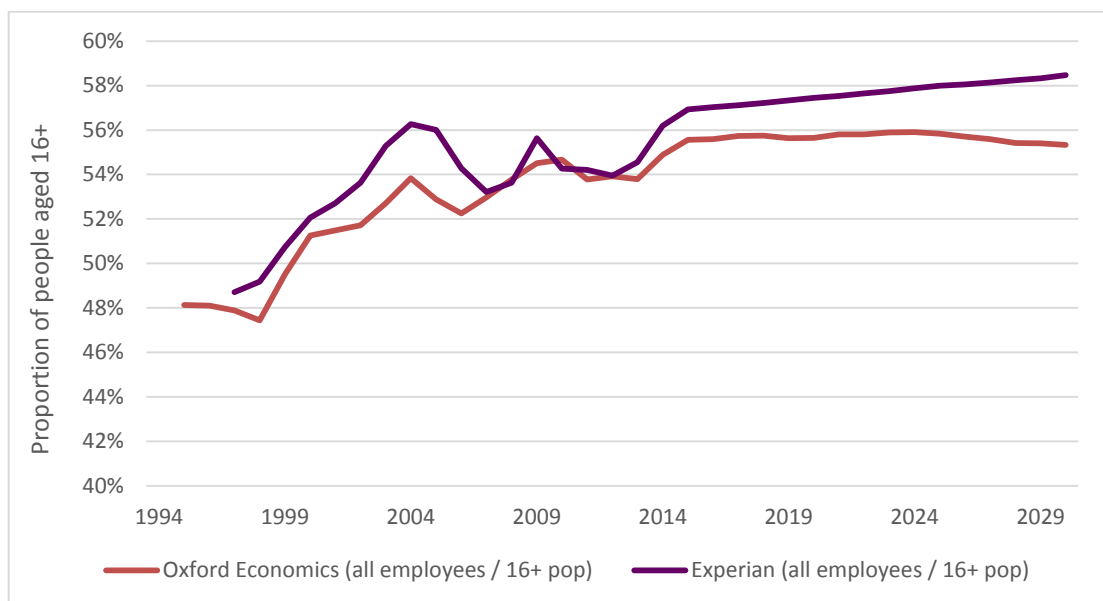
Source: Oxford Economics and Experian

6.24 With an aging population, both Oxford Economics and Experian assume increasing rates of participation among the over 65s. Without this increase, the overall rate of employment across all age groups would decrease over time.

6.25 The NLP OAN does include assumptions on higher rates of participation among the over-65s, but in light of the longer term employment trends, it may be appropriate to run sensitivity tests that consider further increases in the rate of employment over time.

6.26 For example, Figure 6.6 below illustrates the current trend for economic activity among the over 65s in Sefton, which has increased from 4.6% in 2004 to 10.7% in 2014. This is despite the recent recession in which economic activity among all age groups declined. If rates of employment increase in line with the existing trend (the dotted blue line) they could increase to almost 18% in 2030.

6.27 This is still significantly lower than the economic activity rate for people aged 16-64, which was 76% in 2015.

6.28 Any increase would not occur uniformly – for example the economic activity rates for people aged 65 to 69 may move closer in line to the current rate for 60 to 64 year olds, while economic activity among the over-80s would remain very low.

6.29 It also does not require that older people will re-enter the labour market, but that as people age, over time an increasing proportion will remain in work.

Figure 6.6: Sefton Economic Activity Rate of people age 65 and over
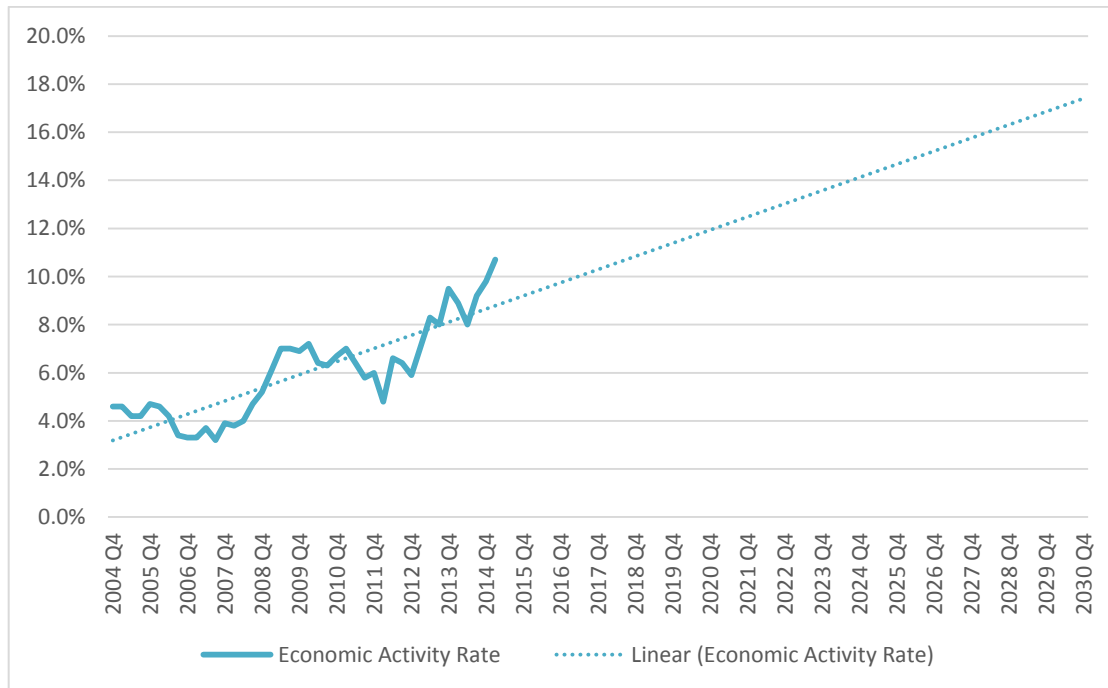
Source: Annual Population Survey (ONS 2015), ekosgen

6.30 Overall, there is clearly a complex relationship between economic growth, labour supply change and housing need, particularly at a local level. For Sefton, the nature of forecast economic growth and the population and labour market characteristics may mean that an increase in labour demand does not result in a one to one increase in the demand for housing. Given that much of the forecasted growth in the Plan period occurs prior to 2015, an examination of household growth during the same period may provide some evidence of these complex relationships.

7 Key Findings and Recommendations

7.1 The key findings relating to Sefton's employment forecasts and their relationship with the OAN are set out below. In light of these findings a number of recommendations are also presented that will provide further context for determining Sefton's long term housing requirement.

Key Findings

Previous Employment Land Reviews

7.2 The Port of Liverpool Business Survey has found that the jobs lost over the successive studies were not being replaced by any new sectors, so the reduction of the unemployment rate has been in the traditional sectors

7.3 Availability of land does not automatically create jobs. This results from the employment and demographic changes in the borough over time and the extent to which people and business move into Sefton for work.

Employment Projections

7.4 All three employment forecast predicted a partial recovery in employment between 2012 and 2015. This is consistent with the most recent labour market intelligence for Sefton.

7.5 Given this, a significant proportion of the employment growth forecast under the three scenarios may reflect replacement demand due to economic recovery. If this recovery can draw on former Sefton employees, the impact on housing may be more limited than if it relied heavily on new entrants to the labour market. In addition, as this refers to the period 2012 to 2015, it is likely that this demand has already been accommodated within the borough.

7.6 Post 2015 the employment forecasts present a very different picture of the Sefton employment base – (i) steady employment growth over time and (ii) steady state employment / marginal employment decline. While it may interesting to run alternative OAN scenarios based on these post-2015 assumptions, it is not expected to have a significant impact on housing need. In addition it would be prudent to plan for growth to ensure the longer term economic sustainability of the borough, so the NLP Blended Forecast approach is likely to remain appropriate.

7.7 However, the deviation between the three forecasts highlights the uncertainty associated with forecasting local employment growth over an 18 year period. In addition to correctly forecasting national economic and employment trends, the forecasts must consider the relative performance of local and neighbouring economies and the relationship between local economies and labour markets. Also, as policy-off forecasts, they are essentially based on the continuation of existing interactions between local economies (for example, assuming a stable commuting matrix over the longer term). This is a reasonable approach as the alternatives are not known with certainty, however these factors should be considered when determining what level of housing should be provided over the plan period – in particular Sefton's relationship with the wider sub-region and the extent to which this may change over time.

Population Projections

7.8   Both the Oxford Economics and Experian forecasts assume rates of population growth that are consistent with or below the Sub-National Population Projections. Oxford Economics also assume that rates of out-migration will increase over time.

7.9   However, with a significantly aging population, existing rates of economic participation (by age) suggest that overall economic participation will decrease over time and employment will consequently decline in the absence of additional in-migration or in-commuting to Sefton. This is the basis for the OAN.

7.10   Reconciling these two findings requires that:

- Unemployment is expected to decline over the plan period and / or
- The rate of economic activity is expected to increase – particularly among older people.

7.11   Falling unemployment and rising economic activity rates are consistent with recent trends in Sefton and it may be appropriate to consider a sensitivity test that assumes (i) unemployment is reduced to reflect national government policy and (ii) higher rates of participation for people age 65 and over.

7.12   Further sensitivity testing will determine the potential for increased participation to meet the labour supply deficit identified in the HEaDROOM Update Report. However, in light of the Oxford Economics and Experian employment forecasts, a general rise in resident employment rates in line with longer term trends may be expected to absorb a significant proportion of the rising demand for labour and consequently reduce the projected housing requirement over the plan period.

7.13   The study demonstrates that the relationship between economic growth, labour supply change and housing need is complex and caution should be applied in assuming that labour supply increases will necessarily equate to an additional demand for dwellings on a one-to-one basis. Given that much of the forecast employment growth has occurred prior to 2015 and the potential dampening impacts of higher participation and lower unemployment rates, we consider this unlikely to be the case.

Commuting Flows and Cross Boundary Considerations

7.14   The Census 2011 presents a complex pattern of commuting flows between Sefton and its surrounding authorities. Overall net commuting out of Sefton was 18,700 in 2011, but this includes significant flows of people in both directions. Both commuting and migration point to significant linkages between Sefton and neighbouring Liverpool and West Lancashire, and more limited relationships with a number of other districts, including Knowsley and Wirral.

7.15   The OAN and employment forecasts assume that existing commuting patterns will remain stable over time. This is a reasonable assumption in the absence of more detailed information.

7.16   However the OAN range of 710 to 1,290 dpa highlights the potential impact of differing demographic and employment assumptions on housing demand within the borough. When coupled with the wide variation between the three employment forecasts and the potentially dampening effect of lower unemployment and/or higher rates of participation among older age groups, the potential cross-boundary implications for neighbouring authorities should be considered.

Recommendations

7.17 Based on the key findings presented above, the following recommendations include alternative sensitivity tests for the HEaDROOM Modelling which will provide further context on the OAN and potential to accommodate employment growth through natural population change and an option to consider the impact of cross boundary issues when establishing a housing need requirement.

Sensitivity Testing

7.18 Based on the finding above we have proposed the following sensitivity test as additional OAN Scenarios:

- **Estimating housing demand based on growth from 2015.** While not consistent with the local plan period, this approach would consider future demand for housing only, reflecting the fact that a significant proportion of employment growth between 2012 and 2015 is likely to be replacement demand and generate limited demand for housing. Furthermore, any additional employment demand arising since 2012 can already be assumed to have been accommodated within Sefton.

- **Lower rate of unemployment (4% average across all age groups).** This will reflect current public policy and restrictions on the groups that are able to access welfare in the future. Based on the SNPP for 2030 this is equivalent to 2% of people aged 16+ being unemployed and falls between the Oxford Economics and Experian long term forecasts for unemployment.

- **Higher rates of participation for over 65s (of 17.6% across all people aged 65).** This is in line with the long term employment trend for this age group. Employment rates will vary by sub-age groups – the largest increase is expected for people aged 65-69 followed by people aged 70-74.

Cross-Boundary Considerations

7.19 In light of the wider variation in housing need that results from the use of differing demographic and employment assumptions and the strong linkages between Sefton, Liverpool and West Lancashire, the appropriate level of housing growth for Sefton should be considered in light of the wider sub-regional context. The cross-boundary impacts of an over or under-provision of housing in Sefton should be considered and evaluated and, given the complex nature of cross-boundary interactions in this area, it may be appropriate for this to be considered as part of a wider sub-regional study.

A.   Business Survey Findings

Background

A.1   In late 2014 / January 2015 BE Group and ekosgen undertook a business survey of companies operating across the Sefton area to provide an understanding of how those businesses are performing today, and what are the prospects for growth in the coming years. Whilst the background to the report was to support an economic analysis of the employment potential from the future growth of the Port of Liverpool, the aim of study was to look beyond Port businesses and provide a statistically representative review of activity across the whole of the business community, surveying almost 20 per cent of the Sefton companies involved in B1, B2 and B8 activities.

A.2   The findings of this survey are an important source of primary research against which the projections of all three econometric data sources can be bench marked. The date of the survey, which was conducted in the final quarter of 2014, came at a time when the data sources had already projected growth in the Sefton economy, and a jobs increase from the baseline date of 2012.

Survey sample

A.3   Overall, 770 questionnaires were completed through a telephone survey of companies. The target was to achieve a return of 800 which was considered to represent around 20 per cent of all businesses considered to be in B1, B2 and B8 type activities. The final sample at 770 achieved 96.3 percent of that original target of 800.

A.4   This equates to a 19.7 percent sample of Sefton's relevant business population. As a comparison BRES typically sample 3.36% of businesses nationally. The responses were broken down geographically between different locations, but with an emphasis in the southern area to speak to a representative sample of port related companies. However, this was only a small element (18 per cent) of the total. The sample was split as follows:

- Port Tenants – 21 businesses

- Port Related – 42 businesses

- North Sefton – 201 businesses

- Central Sefton – 110 businesses

- South Sefton – 396 businesses

A.5   This geographic split enabled an analysis to be undertaken on how the different areas of the Borough are performing, each with different characteristics and in economic terms are influenced by different business sectors.

A.6   To ensure that different market sectors were also represented, a range of businesses were surveyed which has provided results across nine different broad sectors. Uses within the port and port related businesses, tended to be within the narrower bands relating to transportation, storage and wholesale, but not exclusively so; South Sefton reflected service industry and manufacturing, whilst central and North Sefton had a greater level of office based businesses.

A.7   485 of the 770 companies were considered to be in the Council's key growth sectors (transformational sectors 2013) of manufacturing, digital and creative, business and professional services, and construction and low carbon industries.

Survey content

A.8   The survey involved a detailed telephone questionnaire, with respondents in the main, company owners or senior decision makers, and covered a range of topics aimed at understanding the current company profile and the profile of its employees, issues it is facing, and its aspirations for growth in the short term. The main topics were:

- *Company profile* – type of business, staffing levels staff commuting patterns and company size

- *Type of accommodation occupied* and intentions to relocate/expand in the next five years

- *Business performance* and understanding the companies' supply chains in terms of suppliers, customers/markets

- *Recruitment*- skills levels, recruitment issues, gaps in the current workforce

- *Future plans* – anticipated growth/decline through turnover and employment in the next 2-3 years and the next 10 years, opportunities driving growth, and issues needing support.

Key findings

A.9   Whilst a wide range of issues were highlighted, this section concentrates on the key issues relating to business growth, and the commuting patterns of the current workforce, as these areas are considered most relevant to the possible growth of the workforce and how this may impact on future housing requirements.

Port related

A.10   63 businesses were surveyed, employing 1,523 people. Almost half were involved in transportation and storage, with around 12 per cent in manufacturing, 19 per cent in professional, scientific and technical, and 14 per cent wholesale.

A.11   When questioned about growth expectations, 30 per cent expected to see turnover grow by less than 10 per cent in the next 2 years, and a further 10 percent expected up to 50 per cent increase. However, when asked about jobs, the figures were 17 per cent growth by less than a 10 per cent increase, and just 2 per cent above that level.

A.12   Over a 10 year period, growth expectations were much less certain and overall lower than the predictions for the shorter term. Of those expecting growth, almost 80 per cent identified Port expansion as the main reason for this.

A.13   The workforce was considered to be local with 87.3 per cent travelling from Sefton or the rest of Merseyside.

General Sefton Area

A.14   The wider area provided 707 responses from companies employing 6,869 people.

A.15   Across the area, staff turnover was considered to be negligible reflecting a stable workforce, and ranged from 0-2 per cent across all respondents. Micro and small businesses dominated with 80.5 per cent employing 9 people or less, 97.9 per cent less than 50, and 15 respondents employed over 50 people. This reflects the national data from the ONS for Sefton.

Table A.1: Company Size							
No. of Businesses Responding	**Company Size, employees**						
	0-2	**3-5**	**6-10**	**11-20**	**21-50**	**51 +**	**Total**
North Sefton	76	37	43	26	15	4	201
Central Sefton	43	40	12	7	4	4	110
South Sefton	73	112	133	49	22	7	396
Total	**192**	**189**	**188**	**82**	**41**	**15**	**707**

Source: BE Group 2014

A.16 When growth expectations were considered, 60 per cent of businesses expected growth by turnover to be below a 10 per cent growth level over the next 2 years, with just 32 companies expecting a greater level in that time. Over a ten year period there was a marginal increase in expectations, but still over 560 of the 707 companies consider growth to be limited to 10 per cent or less, or not at all.

Table A.2: Growth Expectations, Turnover												
No. of Businesses Responding	Over the Next Two Years						Over the Next Ten Years					
	Grow by Less than 10 percent	Grow by 10-49 percent	Grow by more than 50 percent	Stay about the same	Reduce	Don't know	Grow by Less than 10 percent	Grow by 10-49 percent	Grow by more than 50 percent	Stay about the same	Reduce	Don't know
North Sefton	171	9	1	13	1	7	150	27	3	6	0	17
Central Sefton	41	9	3	45	4	9	54	5	1	24	4	23
South Sefton	208	6	4	139	1	37	300	3	1	32	1	54
Total	**420**	**24**	**8**	**197**	**6**	**53**	**504**	**35**	**5**	**62**	**5**	**94**

Source: BE Group 2014

A.17 When employee growth was considered, expectations were much lower. In the short term over two thirds of companies expected employee numbers to remain the same, and over 10 years, 60 per cent expected numbers to grow by less than 10 per cent, with a further 22.6 per cent not expecting growth in that time.

Table A.3: Growth Expectations, Employment												
No. of Businesses Responding	Over the Next Two Years						Over the Next Ten Years					
	Grow by Less than 10 percent	Grow by 10-49 percent	Grow by more than 50 percent	Stay about the same	Reduce	Don't know	Grow by Less than 10 percent	Grow by 10-49 percent	Grow by more than 50 percent	Stay about the same	Reduce	Don't know
North Sefton	50	1	1	127	0	20	97	1	3	68	0	29
Central Sefton	15	3	2	77	3	11	46	4	1	38	3	11
South Sefton	75	5	3	277	1	34	283	2	0	54	1	51
Total	**140**	**9**	**6**	**481**	**4**	**66**	**426**	**7**	**4**	**160**	**4**	**91**

Source: BE Group 2014

A.18 When the individual sectors were considered, it was possible to identify where that growth was expected. Only the professional scientific and technical sector saw any growth in numbers beyond a 10 per cent increase over the longer term, with modest growth greatest in construction, ICT, professional, scientific and technical, construction and wholesale. Interestingly, whilst the national forecasting data companies predict a fall in manufacturing numbers in the longer term, only one Sefton company was expecting its workforce to decline in the next 10 years, against an overwhelming expectation of some growth in turnover in the sector. Again across the key growth sectors, turnover is expected to increase.

Table A.4: Growth Expectations, Turnover over 10 Years						
Sector	Grow by Less than 10 percent	Grow by 10-49 percent	Grow by more than 50 percent	Stay about the same	Reduce	Don't know
Business administration and support services	27	4	-	4	1	4
Construction	14	5	-	31	1	27
Financial and insurance	25	4	1	2	-	1
Information and communication	47	3	1	5	1	8
Manufacturing	78	2	1	8	-	17
Professional, scientific and technical	87	8	1	6	2	18
Property	15	-	-	2	-	3
Transportation and storage	19	6	1	12	-	10
Wholesale	94	9	1	11	-	15
Total	**532**	**41**	**6**	**81**	**5**	**103**

Source: BE Group 2014

Table A.5: Growth Expectations, Employment over 10 Years						
Sector	Grow by Less than 10 percent	Grow by 10-49 percent	Grow by more than 50 percent	Stay about the same	Reduce	Don't know
Business administration and support services	25	1	-	10	-	4
Construction	117	1	1	58	1	26
Financial and insurance	22	-	-	9	-	2
Information and communication	40	-	-	16	1	8
Manufacturing	66	-	1	18	-	21
Professional, scientific and technical	65	4	2	25	1	22
Property	5	-	-	1	-	3
Transportation and storage	17	-	-	20	-	11
Wholesale	92	2	-	18	1	16
Total	**449**	**8**	**4**	**185**	**4**	**113**

Source: BE Group 2014

A.19   When the workforce origins were considered, like the port related companies, the vast majority of staff came from within Sefton or from the wider Merseyside area.

A.20   In North Sefton, 178 (88.6 percent) of respondents drew 80-100 percent of their labour from Sefton and Merseyside of which 128 businesses (63.7 percent) drew all their labour from within Sefton Borough.

A.21   In Central Sefton, all but two respondents drew 70-100 percent of their labour from Sefton and Merseyside, of which 52 (57.2 percent) drew all their labour from within Sefton Borough.

A.22   In South Sefton, 390 businesses (98.5 percent) drew 80-100 percent of their labour from Sefton and Merseyside. A more modest 68 business (17.2 percent) of businesses drew all their labour from within Sefton Borough, although this is unsurprising as many of these businesses are located close to the boundary with Liverpool and, in the South east, with the settlements of Knowsley.

A.23   When the quality and availability of the workforce was considered, just under 10 per cent of businesses suggested they had difficulty recruiting employees. The financial and insurance sector accounted for almost half of those businesses indicating a difficulty. Outside

this sector and across the remaining sectors the difficulties were highlighted as finding skilled tradesmen, drivers and machine operatives, resulting from low numbers of applicants and finding people with the right level of experience. A lack of professional skills in construction, professional, scientific and technical sectors was an issue. As these are highlighted to grow, these could see some limitation on the projected sectoral growth.

Summary

A.24   The survey, which at just under 20 per cent of the Sefton business community is a representative sample providing a significant level of primary research evidence of how businesses are likely to grow both in turnover and in employment terms. This evidence base, whilst based on the considered opinion of the companies, can be compared against the projections from OE, CE and Experian to inform this report as to whether those projections are realistic. The sample is almost six times greater than the national BRES survey.

A.25   Companies were considered to be very stable at the present time with a negligible turnover of staff, and thus any change in employee numbers should be based on longer term growth or decline.

A.26   Businesses across the whole of Sefton anticipated some growth in turnover in the short to medium term, but when considering employment growth in the same periods, increase in numbers were expected to be extremely modest with only 2.26 per cent of companies expecting to grow by greater than 10 per cent in the next 2 years, and 1.56 per cent in the next 10 years. Most expected no growth of less than 10 per cent in those periods.

A.27   Whilst some of that growth was expected in the transformational sectors, again, it is only very modest increases anticipated.

A.28   Much of the workforce comes from the Sefton area, with a significant proportion, particularly in the south of the Borough coming from locations close by. The local nature of the workforce does not suggest that people are prepared to commute in any number from any distance, and this reflects the nature of the jobs in the area.