Economic context and forecasting

Chapter 9. Economic context and forecasting

9.1 Summary

This chapter deals primarily with the labour market and likely growth in labour demand and supply. Chapter 10 looks separately at the population and household context.

It provides an overview of the planning policy context, including the origin of the employment (labour demand) targets for the sub-region. It reviews historic trends relevant to the critical jobs/population balance and summarises information on changes to key indicators of the labour market between 2001 and 2008. It goes on to cover the most up-to-date 'recession-aware' forecasts available relating to both labour demand and labour supply, breaking these down to the short term period up to 2011, the medium term outlook to 2021 and exploring the longer term through to 2031.

The chapter provides a commentary on the general economic outlook for the sub-region and goes on to compare the forecasts which are considered most robust with the current planning targets and the over-riding objective to improve the jobs/labour supply balance within the Cambridge area. The chapter concludes with a discussion of the main issues arising from the economic outlook for the housing market.

9.2 The Policy Background

The key policy documents which currently guide the likely future rate of economic, housing and population growth in the Cambridge housing sub-region are the Regional Economic Strategy (RES) and the Regional Spatial Strategy (RSS) – the East of England Plan, both approved in 2008.

The Cambridge sub-region is recognised in both strategies as a key growth area for 'UK plc' due to the importance of its world-class hi-technology and knowledge-based industries. Significant employment growth occurred in the 1990s and early 2000s, based on education, research & development, technical consultancy, computing services and health, as well as highly specialised manufacturing in fields such as aerospace and electronic engineering. Although manufacturing employment has generally declined, the sub-region continues to support specialist sectors, such as biotechnology, printing equipment, new technologies and prototype development. Business services have also grown rapidly and so have associated local services. A number of regional organisations have become well-established in the sub-region.

The policies in all recent economic and spatial strategies and plans continue to support selective employment growth based on knowledge-rich sectors. District Councils have incorporated appropriate policies in their local plans and in their work on the successor Local Development Frameworks. However, PPS4 "Planning For Prosperous Economies" (May 2009) could remove the ability to impose conditions on development which support the selective employment growth approach. A key aim is to reduce the need for commuting and broadly align people and jobs locally, with sustainability a critical objective. Specific LAA targets exist in some districts such as around increasing median earnings and the number of small companies enjoying growth in Forest Heath.

The publication of the Government's policy towards Sustainable Communities in 2004 reinforced the policy supporting growth in the area. The London Stansted Cambridge Peterborough corridor was identified as one of four national growth areas, (along with Ashford, Thames Gateway and the Milton Keynes South Midland). The emphasis of the

policies is for growth of employment and population together. Thus it is important to assess the extent to which anticipated employment and population/household growth occurs in tandem.

Draft East of England Plan job targets

The draft East of England Plan included job 'targets' for individual local authorities for the period 2001 to 2021. The policy basis varied from one part of the region to another but in the case of districts in Cambridgeshire and western Suffolk, it was a set of 'enhanced growth' forecasts published by Experian BSL in 2003. It is useful to record these as they have remained the primary foundation of the wider area targets included in the adopted RSS of May 2008, (see Table 1). It is important to note that the forecasts pre-date the publication of the 2001 Census results. The forecasts are termed 'enhanced growth' in that they aimed to forecast the jobs that could be created if policies were adopted to increase productivity significantly in the region. The forecasts were produced for the Regional Economic Strategy, to exemplify likely job growth which would be achieved if the region became one of the top 20 regions of Europe by 2021. They assume that population growth continues as trend.

Table 1: Experian BSL 'Enhanced Growth by 2021' EG21 employment forecasts, Cambridge sub-region, (2002 base)

Districts	2001	2021	2001/21
Cambridge City	95,580	127,360	31,780
East Cambridgeshire	22,500	27,370	4,870
Fenland	32,680	37,800	5,120
Huntingdonshire	72,790	87,100	14,310
South Cambridgeshire	63,660	81,270	17,610
Forest Heath	28,000	33,650	5,650
St Edmundsbury	53,600	60,710	7,110
Cambridge sub-region	**368,810**	**455,260**	**86,450**
Cambridgeshire	*287,210*	*360,900*	*73,690*

Source: Experian BSL 2003

Adopted East of England Plan targets

The 'indicative targets' for jobs included in the adopted East of England Plan policy E2 were published for groups of local authorities and, in the case of Cambridgeshire, for the county as a whole. For the period 2001 to 2021, the target for Cambridgeshire is 75,000 jobs. The relevant target for the three 'Rest of Suffolk districts', including Mid Suffolk alongside Forest Heath and St Edmundsbury, is for 18,000 jobs. The status of the figures is stated as providing 'reference values for monitoring purposes and guidance for regional and local authorities, EEDA and other delivery agencies in their policy and decision-making on employment…They may be revised through the review of the RSS taking account of the RES or testing through development plan document preparation'.

The Cambridge sub-region's indicative target of around 88,000 jobs, 2001 to 2021 must be set in the context of the target for the region as a whole – 452,000, 19% of the total.

9.3 **Historic trends 1991 to 2001**

As at 2001 the Population Census indicates a broad balance of employed residents and workforce in the seven district areas comprising the sub-region. Table 2 provides a summary for districts and the sub-region.

Table 2: Employed Residents and Workplace Population, Cambridgeshire Districts, aged 16-74

Districts	Residents	Workforce	Net commuting
Cambridge City	49,236	78,694	29,458
East Cambridgeshire	37,208	24,903	- 12,305
Fenland	37,757	31,803	- 5,954
Huntingdonshire	82,318	69,000	- 13,318
South Cambridgeshire	69,160	64,097	- 5,063
Forest Heath	28,297	32,165	3,868
St Edmundsbury	50,179	50,317	138
Cambridge sub-region	**354,155**	**350,979**	**- 3,176**
Cambridgeshire	*275,679*	*265,497*	*-7,182*

Source: Census 2001

Table 2 shows that although net out-commuting from the housing sub-region as a whole was a very modest 3,200 in 2001, there were significant imbalances between numbers of employed residents and workforce populations at the level of individual districts. It is a major policy aim of the East of England Plan to reduce the imbalance relating to Cambridge/South Cambridgeshire and the rest of the sub-region. The policies follow a 'sequential approach' to development in the immediate Cambridge area. They provide for high house-building rates and hence household/population growth adjacent to the City's built-up area, as well as in a new settlement of Northstowe to the north-west of Cambridge but linked by high-speed public transport. This should help reduce longer-distance commuting within the sub-region. Market towns are also identified for further growth.

Table 3 shows the employed residents/workplace population matrix at a district level in 1991. By 2001 net out commuting from the sub-region reduced by just over 5,000, from 8,200 down to 3,100. This suggests that over the 10 year period 1991 to 2001 job growth in the sub-region outstripped population growth. Taking account of changes in methodology, in particular the move to a 'one number' Census in 2001, it is calculated that the sub-region experienced an increase of around 37,000 employed residents and an extra 42,000 workplace population. In the period 1991 to 2001.

Table 3: Employed residents & workplace population, 1991, Cambridge housing sub-region, aged 16-79, 10% sample grossed up

Districts	Residents	Workforce	Net commuting
Cambridge City	41,860	70,140	28,280
East Cambridgeshire	28,720	20,060	- 8,660
Fenland	32,670	28,000	- 4,670
Huntingdonshire	71,900	58,170	- 13,730
South Cambridgeshire	60,630	46,970	- 13,660
Forest Heath	25,850	28,770	2,920

Districts	Residents	Workforce	Net commuting
St Edmundsbury	44,420	45,720	1,300
Cambridge sub-region	**306,050**	**297,830**	**- 8,220**
Cambridgeshire	*235,780*	*223,340*	*-12,440*

Source: Census 1991[1]

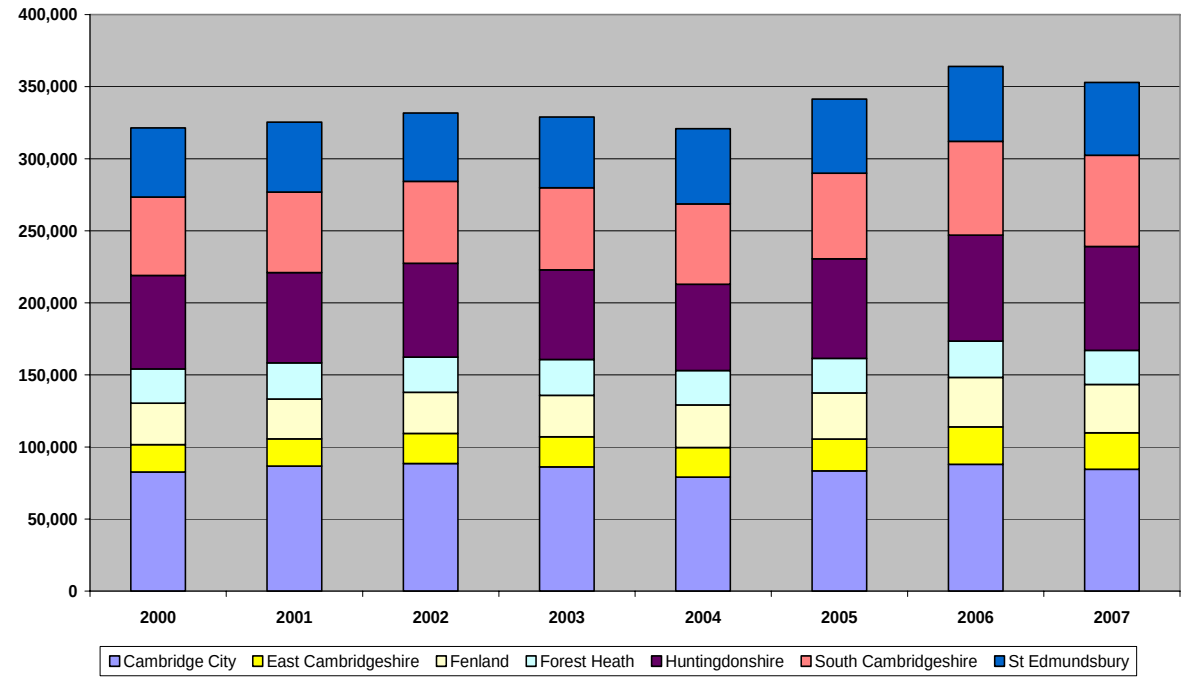
9.4 The period 2001 to 2008 – employment change

There are two primary sources of information for monitoring employment change at a local authority level for the period since 2001 and both are considered in this section.

The Annual Business Inquiry (ABI)

The first source is the Annual Business Inquiry (ABI), a sample survey of employers. This survey is primarily restricted to employees and consequently does not cover the self-employed. Nor does it cover armed forces[2]. The most up-to date survey results are for September 2007 – i.e. before the 'credit crunch' and consequent economic recession. Figure 1 shows the estimates of employee jobs for the seven districts comprising the Cambridge sub-region 2000 to 2007[3]. It is important to note that the survey month changed from December to September in 2006 and this has important implications for industries with significant seasonal fluctuations in employment, such as retailing and leisure.

Figure 1: Employee jobs in Cambridge sub-region districts, 2000 to 2007



Source: ONS Annual Business Inquiry

[1] Note that the 10% sample has been grossed up to provide a total estimate. No adjustment has been made for non-response, so the figures are not directly comparable with the 2001 Census which adopted a 'One Number' methodology

[2] This is a potentially important omission as armed forces activity is very significant in parts of the sub-region, most notably within FHDC

[3] The start date is December 2000 as this is close in time to April 2001, the start of the planning period under review.

The figure indicates that the number of employees in the Cambridge sub-region (CSR) as a whole increased from just over 320,000 in late 2000 to 352,000 in 2007 (or an estimated 356,000 after adjusting for the impact of the change in survey month). This increase of around 36,000 employee jobs should be set in the context of an increase of around 136,000 jobs in the region as a whole. The rate of growth 2000 to 2007 has been higher in the CSR than in the region – around 10% as compared with 6%. It is important to be aware, however, that the ABI is a sample survey and also that in recent years there have been many changes to methodology. This means that actual employment growth in the sub-region may, in practice, have been higher or lower than that estimated by the ABI.

Tha Annual Population Survey (APS)

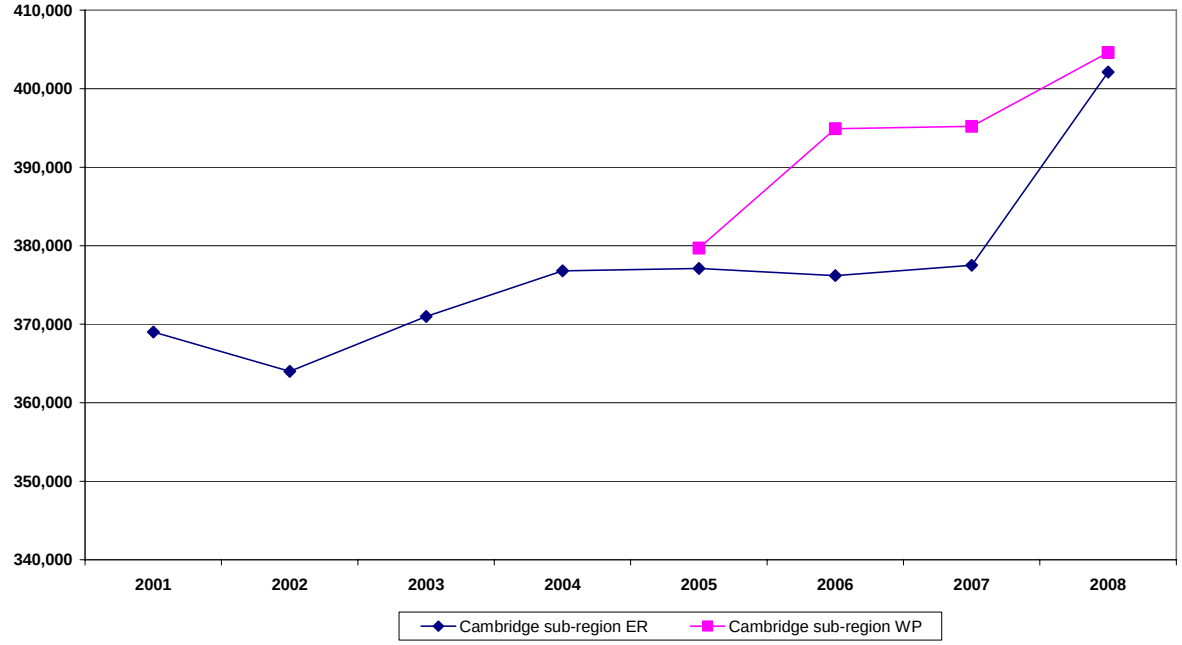
The second source of information is the Annual Population Survey (APS), the successor to the Labour Force Survey (LFS). This household survey run by ONS counts *people* rather than jobs and covers all types of workers, (i.e. self-employed as well as employees), although armed forces may not be fully included. This is a particularly useful source as it covers both employed residents and workplace population, enabling net commuting to be measured. However the workplace data have only been published since 2004.

The sample size is relatively small at a district level and consequently there can be significant sampling variation below the level of the Cambridge sub-region as a whole; the samples are judged to be robust at the level of education authorities rather than constituent districts. It is also important to note that respondents are asked to name the local authority district that they work in – but no checks or amendments are made if the information provided is inaccurate. This is particularly important in the Cambridge context; it appears that significant numbers of respondents state that they work in Cambridge when they are actually working in South Cambridgeshire, (for example, on the Cambridge Science Park). At a district level the APS therefore over-estimates the workplace population of Cambridge and under-estimates that of South Cambridgeshire.

Figure 2 brings together published estimates of employed residents and workplace population for the CSR for the years 2001 to 2008. Each data point is the average for a year's quarterly survey results. For 2001 to 2004 the year is March to February; for 2005 on the year is April to March.

The data series appears to show relatively low growth in the numbers of employed residents from 2000/01 to 2006/07, with an increase of over 24,000 recorded in 2007/08. The workplace data series also shows an increase of around 25,000 people, but spread over a longer 3 year period. An important caveat relates to the underlying estimates of the resident population used to gross up sample responses. The overall estimate of the resident population aged 16 and over in the CSR rises by 60,900 from 553,000 in 2000/01 to 613,900 in 2007/08. (source: Nomis LFS and APS). The increase in population aged 16+ over the period for which both employed resident and workplace population has been published (2004/05 to 2007/08) is 42,600.

Figure 2: Employed residents and workplace population, Cambridge sub-region, 2000/01 to 2007/08

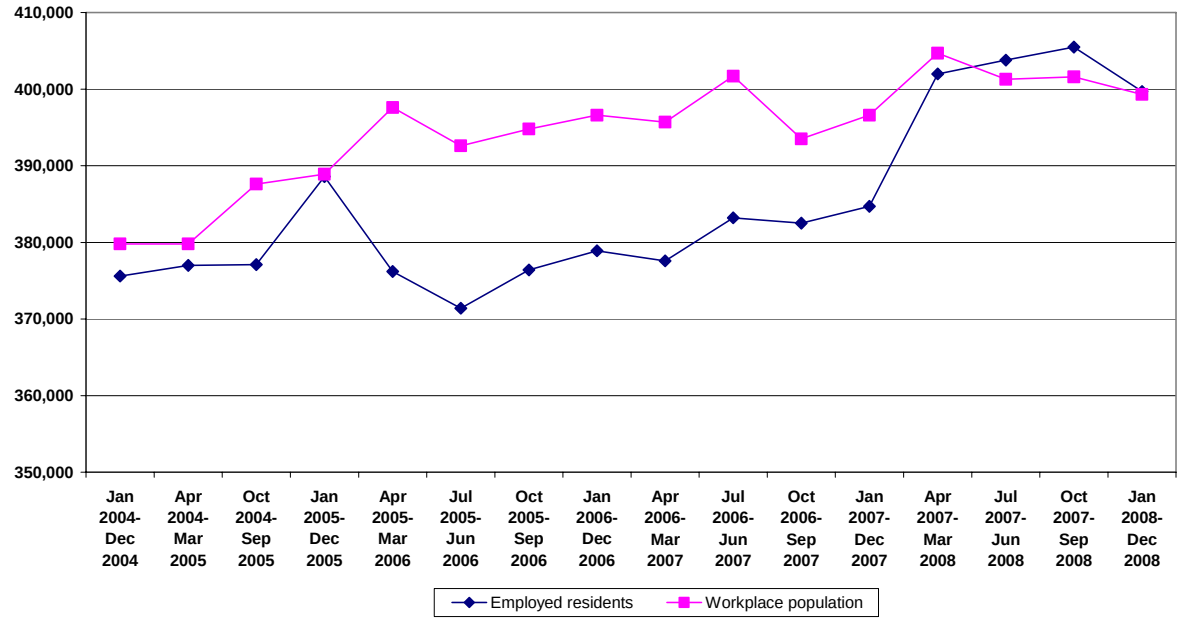


Source: Nomis: Annual Population Survey, Labour Force Survey ONS

Figure 3 brings together all rolling quarterly data published for employed residents and workplace population in the CSR since 2004 to try and assess underlying trends. The figure suggests there is a generally close alignment between numbers of people living and working in the sub-region. It shows that the workplace population appears to have peaked in the year April 2007 to March 2008; the annual estimate 'rolling' for this year is around 404,000. Subsequent estimates suggest a small decline. The most up-to-date published information is for the year January to December 2008, where the estimate falls to 399,000.

The evidence suggests a relatively close balance between the sub-region's workplace population and numbers of employed residents – suggesting that between 2001 and 2008, both groups have increased by around 30,000. This corresponds quite closely with the ABI estimate of 36,000 additional jobs over a similar period. The difference can be explained by the fact that 'jobs' generally exceed 'workplace population' because an increasing percentage of people work part-time and many have more than one job.

Figure 3: Comparison of workplace population and employed residents, Cambridge sub-region, Jan – Dec 2004 to Jan to Dec 2008, rolling quarterly estimates



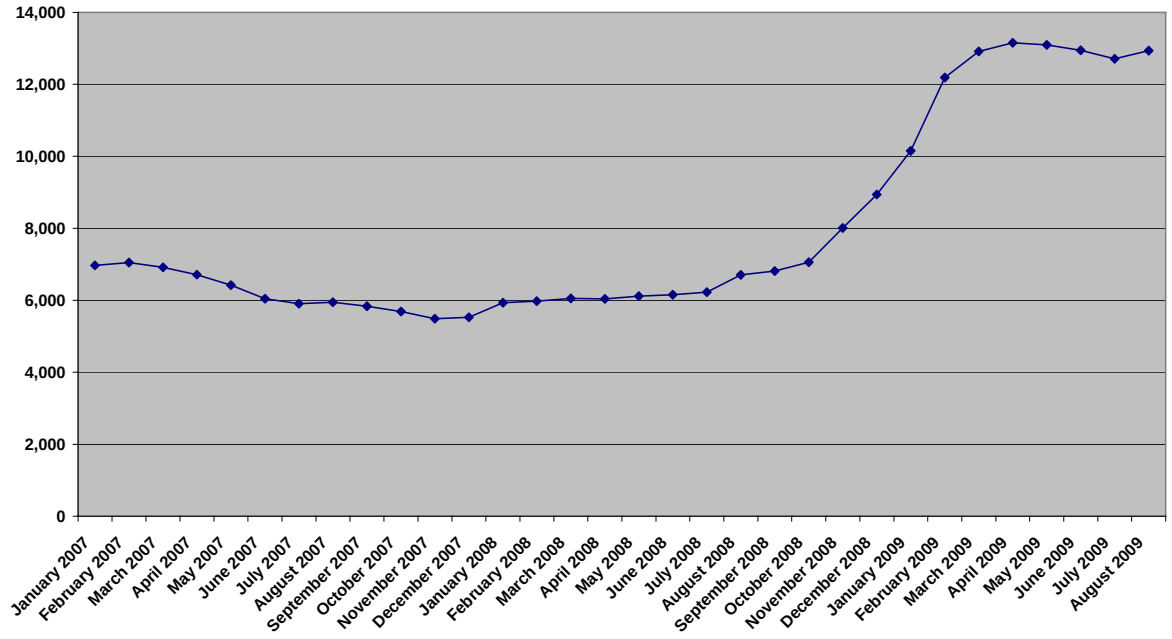
Source: ONS – Annual Population Survey (July 2004 – June 2005 source data is missing)

Claimant unemployment

The most up-to-date indicator of falling employment is the 'Job seekers Allowance' claimant count. Although this excludes people who are ineligible to claim benefits, it provides a valuable barometer of the job market at a local level. Figure 4 shows the monthly count for the combined sub-region since January 2007 – with the recession taking effect from August 2008. Interestingly claimant unemployment levelled off in April 2009, although the national count for August 2009 shows a significant increase as young people leaving education enter the job market. Over the 9 to 10 months August 2008 to April 2009 claimant unemployment in the sub-region increased by at least 7,000 people, up from 6,000 to over 13,000.

The 7,000 increase in claimant count has occurred since the most recently published ABI data was collected (September 2007). It is possible that the wider International Labour Organisation (ILO) definition of unemployment, including people ineligible to claim JSA, may have increased by a further 7,000 people in the region, so there could be 14,000 jobs lost overall. It is, consequently, possible that employment in CSR between 2001 and 2009 has increased by 22,000, (36,000 – 14,000).

Figure 4: Claimant JSA unemployment in Cambridge sub-region, January 2007 to August 2009



Source: Nomis DWP

9.5 **Forecasts to 2021 – labour demand and supply**

The sections which follow summarise the key labour demand and supply forecasts which have been produced in recent years. They are the most recent forecasts available in the public domain.

Labour demand

A number of district-level employment forecasts have been commissioned in recent years as inputs to a number of planning studies[4] but many were produced prior to 2008 and the credit crunch and consequent economic recession. This section draws on two 'recession aware' forecast suites which are in the public domain and they are summarised below.

Cambridge Econometrics (CE), November 2008

Cambridgeshire County Council commissioned Cambridge Econometrics to provide employment forecasts to feed into the 'Cambridgeshire Development Study'. This study was concerned with developing and testing a range of scenarios for the roll forward and review of the East of England Plan through to 2031. The forecasts were produced in November 2008, building on output from the regional outlook for the East of England. The first forecast is a trend-based 'business as usual' scenario providing employment data for all five Cambridgeshire districts and the region through to 2030. In general terms the underlying population growth assumed in these forecasts is very similar to ONS' most recent population projections; complementary employment forecasts for Forest Heath and St Edmundsbury

[4] Experian BSL produced a region-wide suite of district-level employment forecasts for the Government Office, in conjunction with plans for the development of Stansted Airport; Cambridge Econometrics produced district level employment forecasts in 2005/6 as an input to the three region study of commuting in the Greater London area.

council areas have been interpolated by SQW Consulting. They assume that the districts' shares of regional employment remain constant at estimated 2006 levels.

The second suite of forecasts for Cambridgeshire districts was also produced by Cambridge Econometrics. This explicitly incorporated population forecasts derived from Cambridgeshire County Council's demographic and housing model and is policy-based. Basically, forecast 'household representative rates' have been applied to the entire housing stock, including RSS dwelling targets. These generate associated population levels for each year and district. The County Council's model forecasts lower population growth for Cambridgeshire than the current ONS projection. When incorporated into Cambridge Econometrics' labour market model, the somewhat lower population growth results in lower employment growth due to reduced local demand for industries such as education, retailing and health.

Tables 4 and 5 provide a summary of the forecasts. The base year is 2006 as 2007 survey data were not available when the model was run. The tables show clearly that job growth in the sub-region is expected to be nil over the period 2006 to 2011; any increase in jobs occurring between 2006 and 2008 is effectively lost after the economic downturn bites.

The 'baseline' forecast indicates that employment growth in the sub-region over the period 2011 to 2021 will be around 32,400, increasing from 425,400 to 457,800, an increase of 7.6%. This is the same rate of growth as is forecast for the region as a whole and should probably be considered very cautious given past experience.

The 'RSS dwellings constrained' forecast for the sub-region is lower at 25,700, just 6% of the region's total forecast employment growth between 2011 and 2021.

Table 4: Cambridge Econometrics' employment forecasts 'business as usual' (i) baseline; (ii) incorporating RSS dwellings & CCC population (RSS/CCC), '000 jobs

Districts	2006 CE	2011 CE baseline	2021 CE baseline	2011 CE RSS/CCC	2021 CE RSS/CCC	Difference 2021
Cambridge City	99.0	99.3	108.9	101.0	114.0	5.1
East Cambridgeshire	34.3	34.5	38.0	34.1	34.9	-3.1
Fenland	41.0	40.7	41.8	40.4	39.9	-1.9
Huntingdonshire	85.0	84.3	88.8	83.6	82.2	-6.6
South Cambridgeshire	77.3	77.1	84.1	76.9	84.0	-0.1
Forest Heath #	29.0	28.9	31.0	28.9	31.0	0
St Edmundsbury #	61.0	60.6	65.2	60.6	65.2	0
Cambridge sub-region	**426.6**	**425.4**	**457.8**	**425.5**	**451.2**	**-6.6**
Cambridgeshire	*336.6*	*335.9*	*361.6*	*336.0*	*355.0*	*-6.6*
East of England	*2,806.1*	*2,788*	*3,000.3*	*2,788*	*3,000.3*	*0*

Sources: Cambridge Econometrics; # SQW Consulting – assuming that the two Suffolk LAs retain their 2006 share of regional employment. There is no separate 'RSS compliant' forecast for these LAs.

Note: There is only the one Cambridge Econometrics-based 'business as usual' forecast available for the two Suffolk districts, so the 2021 figures are the same. In the case of Cambridgeshire a second model run was carried out by Cambridge Econometrics for the Cambridgeshire Development Study using the County Council Research Group's population

forecasts based on RSS policy. The two forecasts produced different employment levels in 2021, hence a column showing the difference. As Cambridge Econometrics have produced no district level forecasts for Suffolk the regional level growth/change rates have been applied to a district 'base' estimated from a number of sources.

Table 5: Cambridge Econometrics employment forecasts, change 2006/11 and 2011/21, (i) baseline and (ii) incorporating RSS dwellings & CCC population (RSS/CCC), '000 jobs

Districts	2006/11 CE baseline	2006/11 CE RSS/CCC	2011/21 CE baseline	2011/21 CE RSS/CCC
Cambridge City	0.3	2.0	9.6	13.0
East Cambridgeshire	0.2	-0.2	3.5	0.8
Fenland	-0.3	-0.6	1.1	-0.5
Huntingdonshire	-0.7	-1.4	4.5	-1.4
South Cambridgeshire	-0.2	-0.4	7.0	7.1
Forest Heath [5]	-0.1	-0.1	2.1	2.1
St Edmundsbury [5]	-0.4	-0.4	4.6	4.6
Cambridge sub-region	**-1.2**	**-1.1**	**32.4**	**25.7**
Cambridgeshire	*-0.7*	*-0.6*	*25.7*	*19.0*
East of England	*-18.1*	*-18.1*	*212.3*	*212.3*

Sources: Cambridge Econometrics (see footnote 5 below)

Oxford Economics (OE), May 2009

The second 'recession aware' suite of employment forecasts was published by Oxford Economics in May 2009.[6] As well as a 'business as usual' baseline, two variant forecasts have been produced. The first assumes that the recession will be relatively short-lived. The second assumes that both national and regional economies will be relatively slow to move out of recession. It is important to note that there are some issues with assumptions included in the model and the credibility of outputs for Cambridge and hence Cambridgeshire; these are discussed below.

Table 6 summarises the three forecasts of total employment (jobs) for the period 2006 to 2021, showing the expected position in 2011. Table 7 compares employment change for each forecast for the short term (2006 to 2011) and the medium term (2011 to 2021).

Looking at the forecast number of jobs in the sub-region in 2021 there appears to be very little difference between the three scenarios; the range is from 469,600 (slow recovery from recession) to 473,700 (faster recovery from recession) with the 'baseline' recording 473,000. There is a marginally greater 'spread' in terms of forecast jobs in 2011, (ranging from 400,200 under the 'slow recovery variant to 406,100 under the 'faster recovery' option). This

[5] *SQW Consulting – assuming that the two Suffolk LAs retain their 2006 share of regional employment. There is no separate 'RSS compliant' forecast for these LAs.*

[6] Oxford Economics and ARUP Economic Consultants were commissioned by the East of England Development Agency in spring 2007 to produce a bespoke labour market forecasting model for the East of England and all constituent districts. This model was used in 2008 to provide a first range of 'growth scenarios' and 'baselines' for the RSS Review and subsequently in 2009 to assess the impact of the recession.

indicates that areas experiencing a greater impact from the recession in the short term are expected to regain their previous relative regional position in the medium term.

Table 6: Oxford Economics' employment forecasts (i) baseline (ii) faster recovery from recession (iii) slow recovery from recession, Cambridge sub-region (May 2009) '000

Districts	2006 OE	2011 OE baseline	2021 OE baseline	2011 OE recovery	2021 OE recovery	2011 OE slow	2021 OE slow
Cambridge City	96.3	97.0	123.9	97.2	123.9	96.1	123.7
East Cambridgeshire	34.4	29.2	35.5	29.3	35.6	28.9	35.1
Fenland	42.1	40.0	44.2	40.1	44.3	39.5	43.7
Huntingdonshire	87.2	80.5	88.6	80.7	88.8	79.5	87.8
South Cambridgeshire	80.2	72.8	85.6	73.1	85.8	71.8	84.8
Forest Heath	29.4	26.8	29.4	26.9	29.4	26.5	29.3
St Edmundsbury	61.6	58.6	65.8	58.8	65.9	57.9	65.2
Cambridge sub-region	**431.2**	**404.9**	**473**	**406.1**	**473.7**	**400.2**	**469.6**
Cambridgeshire	*340.2*	*319.5*	*377.8*	*320.4*	*378.4*	*315.8*	*375.1*
East of England	2,835.7	2,688.7	2,987.0	2,698.1	2,992.3	2,655.6	2,956.2

Source: Oxford Economics

Table 7: Oxford Economics' employment forecasts – change in jobs 2006/11 and 2011/21 (i) baseline (ii) faster recovery from recession and (iii) slow recovery from recession, May 2009, '000

Districts	2006/11 OE baseline	2006/11 OE recovery	2006/11 OE slow	2011/21 OE baseline	2011/21 OE recovery	2011/21 OE slow
Cambridge City	0.7	0.9	-0.2	26.9	26.7	27.6
East Cambridgeshire	-5.2	-5.1	-5.5	6.3	6.3	6.2
Fenland	-2.1	-2.0	-2.6	4.2	4.2	4.2
Huntingdonshire	-6.7	-6.5	-7.7	8.1	8.1	8.3
South Cambridgeshire	-7.4	-7.1	-8.4	12.8	12.7	13.0
Forest Heath	-2.6	-2.5	-2.9	2.6	2.5	2.8
St Edmundsbury	-3.0	-2.8	-3.7	7.2	7.1	7.3
Cambridge sub-region	**-26.3**	**-25.1**	**-31.0**	**68.1**	**67.6**	**69.4**
Cambridgeshire	*-20.7*	*-19.8*	*-24.4*	*58.3*	*58.0*	*59.3*
East of England	*-147*	*-137.6*	*-180.1*	*298.3*	*294..2*	*300.6*

Source: Oxford Economics

Table 7 suggests that over the period 2006 to 2011 the Cambridge sub-region is expected to lose between 25,100 and 31,000 jobs net. However, relatively strong growth is forecast in all scenarios for the period 2011 to 2021, with jobs increasing by just under 70,000.

The employment forecasts for Cambridge City are very different from those of all other districts in the region. The rate of growth between 2006 and 2021 is around 27% in all three scenarios – well above the 5% to 6% forecast for the region as a whole. No other district in the Cambridge sub-region has forecast job growth exceeding 7%. Cambridgeshire County Council has raised this issue with the forecasting team at OE and it appears that the basis of the forecast for Cambridge is quite different from that adopted for other districts. It has been assumed that employment land identified in relevant planning documents in the Cambridge area will be built out. The assumptions elsewhere are based on likely economic conditions and the strengths of local industry sectors relative to regional and national expectations – not land supply. If similar assumptions were applied to Cambridge City's job forecasts as to all other districts the employment growth 2006/21 could reduce by as much as 20,000 to around 7,000.

Comparing the employment forecasts

Over the period 2006 to 2021, the principal 'baseline' forecasts descibed above show very different trajectories for the CSR. Cambridge Econometrics' forecast a modest decline in employment between 2006 and 2011 in the sub-region – with any increase in jobs from 2006 to 2008 counterbalanced by losses between late 2008 and 2011. In contrast Oxford Economics forecast a very significant reduction in employment in the current five year period, with job losses reducing overall employment levels in 2011 almost down to 2001 levels.

Forecasts for the period 2011 to 2021 also vary significantly. Cambridge Econometrics forecast relatively modest job growth whilst Oxford Economics anticipate a much higher increase in employment. In part this growth in employment is supported by a high rate of growth in underlying population. Oxford Economics assume that average household size will be relatively high in the medium term – creating a higher population and hence related demand for local jobs in industries such as education, health and retailing. The very high rate of job growth forecast for Cambridge City is also an important issue.

Recommended 'best forecast'

The most up-to-date evidence available from both the APS and the claimant JSA count suggests that although employment is reducing in the CSR, total jobs (and workplace population) are still significantly above both 2001 and to a lesser extent[7] 2006 levels. The trends appear to be closer to the trajectory indicated by the Cambridge Econometrics' than the Oxford Economics' forecasts. It is consequently recommended that the CE forecasts, calibrated to the dwelling targets of the RSS, are adopted as the 'best estimate' of future employment change for the period 2006 to 2021[8].

Labour supply

There are two relatively up-to-date forecasts of labour supply for Cambridgeshire districts for the period 2006/7 to 2021 but only one for the two Suffolk authorities. They are discussed below.

[7] In making this qualification it is important to note that because of year on year growth, a 'significant' difference between 2001 and the present is to some extent a different concept to a 'significant' difference between 2006 and the present.

[8] Oxford Economics are working on forecasts without the land supply assumptions about Cambridge which are included in their current forecasts and due for publicatin in late Autumn 2009. Those forecasts will be considered in the next update of this chapter.

Cambridgeshire County Council Research Group

Cambridgeshire County Council's Research Group has produced forecasts of labour supply for the five county districts. These assume that the housing targets of the RSS will be achieved by 2021[9]. They incorporate changes in national economic activity rates projected by the Office for National Statistics to 2020, calibrated to local district rates using 2001 Census data. It has not been possible to produce a forecast for the two Suffolk districts at this stage. It is important to note that the underlying population forecasts were produced before the credit crunch and so they do not incorporate the impact of the recent downturn in both housing construction and related population growth.

Within Cambridgeshire, the Council's model suggests that the resident labour supply has increased by around 16,000 between 2001 and 2006, (see Table 8). The forecast increase from 2006 to 2021 is 34,700. It is important to note that the underlying economic activity rates assume only a small increase in the proportion of older people in the labour force. This is somewhat surprising, given the increase in the State pension age for women to 65 as well as changes to many pension schemes which are resulting in the payment of lower benefits. The forecasts should consequently be considered as minimum figures for the years 2011 and beyond.

Table 8: Forecast labour supply, based on adopted East of England Plan dwelling figures and ONS economic activity rates

Districts	2001	2006	2011	2021	2006/21
Cambridge City	52,600	55,300	65,300	73,700	18,400
East Cambridgeshire	37,400	40,400	42,400	40,600	200
Fenland	39,700	43,200	45,600	46,800	3,600
Huntingdonshire	85,100	87,800	92,200	87,900	100
South Cambridgeshire	71,220	75,300	78,200	87,700	12,400
Forest Heath	29,200	n.a.	n.a.	n.a.	n.a.
St Edmundsbury	51,700	n.a.	n.a.	n.a.	n.a.
Cambridge sub-region	**366,950**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Cambridgeshire	*286,000*	*302.000*	*323,700*	*336,700*	*34,700*

Source: Cambridgeshire County Council Research Group

Oxford Economics

It is also possible to derive forecasts of labour supply from the Oxford Economics' suite of forecasts as these include both 'employed residents' and 'unemployed'. Table 9 provides an overview of the baseline forecast.

[9] Note that these dwelling figures are considered in the East of England Plan to be floor targets and they may be exceeded.

Table 9: Forecast of labour supply (employed residents & unemployed), baseline forecast for Cambridge sub-region, Oxford Economics

Districts	2001	2006	2011	2021	2006/21
Cambridge City	50,300	51,900	55,600	67,400	15,500
East Cambridgeshire	37,700	40,000	39,300	46,300	6,300
Fenland	38,600	40,700	42,000	45,800	5,100
Huntingdonshire	83,300	92,500	93,200	101,500	9,000
South Cambridgeshire	69,600	76,000	72,500	75,300	-700
Forest Heath	28,600	30,200	31,000	33,600	3,400
St Edmundsbury	51,000	58,400	59,700	65,200	6,800
Cambridge sub-region	**359,100**	**389,700**	**393,300**	**425,100**	**45,400**
Cambridgeshire	*279,500*	*301,100*	*302,600*	*335,300*	*35,200*
East of England	2,634,100	2,797,300	2,722,300	3,046,900	249,600

Source: Oxford Economics

Table 9 shows that the increase in labour supply estimated for Cambridgeshire districts alone amounts to over 21,000 for the period 2001 to 2006, higher than the County Council's model output but incorporating higher estimates of population. The change between 2006 and 2011 is a very low 1,500. The forecast increase of 35,200 in the Cambridgeshire labour force over the period 2006 to 2021 is relatively close to the County Council model's output, (34,700 for the same period).

Alignment of labour supply and labour demand

Table 10 brings together the headline forecasts for Cambridgeshire and, where available, the Cambridge sub-region, for the period 2006 to 2021. Looking first at Cambridgeshire county, both labour demand forecasts produced by CE indicate a shortfall of employment relative to the potential increase in the labour supply. The OE employment forecast is relatively close to both labour supply forecasts.

There is a similar picture at the sub-regional level. Both of Cambridge Econometrics' employment forecasts are low relative to the sole forecast of labour supply (by OE). The OE forecast of employment is also marginally lower than the corresponding OE forecast of labour supply.

In conclusion, the most robust 'recession aware' forecasts suggest that the sub-region could experience a shortfall of employment relative to potential labour supply over the period 2006 to 2021 if the RSS dwellings' targets are met. This could result in a relatively weak market for private sector housing – as inward migration at the levels assumed in these models may not materialise if employment growth is low.

Table 10: Comparison of forecast labour demand & supply 2006/21, various models, Cambridge sub-region & Cambridgeshire

Areas	Labour demand CE baseline	Labour demand CE CCC/RSS	Labour demand OE baseline	Labour supply CCC RSS	Labour supply OE baseline
Cambridge sub-region	31,200	24,600	41,800	n.a.	45,400
Cambridgeshire	25,000	18,400	37,600	34,700	35,200

Source: Cambridge Econometrics, SQW Consulting, Cambridgeshire County Council, Oxford Economics

9.6 Outlook beyond 2021 to 2031

The forecasts discussed in section 9.4 look beyond 2021 to 2031 although over this period, levels of uncertainty are clearly higher. Table 11 provides a summary of change 2021/31 at a Cambridgeshire and Cambridge sub-regional level.

Table 11: Comparison of forecast labour demand & supply 2021/31, various models, Cambridge sub-region & Cambridgeshire

Areas	Labour demand CE baseline	Labour demand CE CCC/RSS	Labour demand OE baseline	Labour supply CCC RSS #	Labour supply OE baseline
Cambridge sub-region	n.a.	n.a.	52,100	n.a.	31,300
Cambridgeshire	25,200	23,100	45,100	11,000	25,000

Source: Cambridge Econometrics, SQW Consulting, Cambridgeshire County Council, Oxford Economics Note: # these forecasts hold economic activity rates steady at 2020 levels

The forecasts beyond 2021 involve very different assumptions with regard to housing and population growth as well as economic activity. Consequently they can only be regarded as indicating the broad range of growth of jobs and labour supply likely. OE and CE forecast significantly different rates of job growth for Cambridgeshire. In contrast to the 2011/21 period, OE forecast significantly higher rates of employment growth than of the resident labour supply.

9.7 Autumn 2009 update

Planning context

Policy IMP3 of the approved RSS requires the East of England Regional Assembly (EERA) to undertake a review of the development needs of the region from 2021 to 2031, with an expectation that this should be complete by 2011. At the time of writing, consultations are underway with respect to the roll forward of the RSS.

In October 2008 EERA consulted with Section 4(4) authorities[10] on six alternative scenarios for housing and economic growth through to 2031, together with three 'baseline' forecasts. These forecasts were produced by Oxford Economics and have effectively now been superceded by the latest May 2009 'recession aware' forecasts discussed in Section 9.4. Responses to this consultation were made in early 2009. In September 2009, EERA

[10] Unitary, Metropolitan and County Councils

published four revised 'possible growth scenarios for the East of England' for full public consultation. The consultation runs until November 2009 and the accompanying document to the consultation provides details of alternative dwelling forecasts at a local authority level but not employment.

Economic outlook

There is considerable uncertainty about the length of the current recession and its impact on national, regional and local economies. It is clear that two industry sectors have already been very badly affected – construction and financial services. With the reduction in people moving there has been a knock-on impact on a wide range of businesses, including trade suppliers, retailers, architects, surveyors, conveyancers, removal firms, etc.

Manufacturing as a whole is considered to be somewhat less affected than in previous recessions as the exchange rate makes exports more competitive; it also encourages import substitution. However, motor vehicle manufacturing has required significant government investment in the short-term 'scrappage' scheme in order to get production flowing.

Restrictions on credit have affected demand for general retail and leisure goods and there has also been a knock-on impact on transport – affecting both people and goods traffic.

The public sector has to date not been so significantly affected by job losses but this is expected to change in the next financial year as government expenditure is cut back. Only health services and education are expected to be protected to some degree.

The primary growth sectors in the Cambridge sub-region in recent years have been a wide range of business services, including research & development, computing services and industries such as professional services, security and agency staff. Leisure, including recreation and hotels & catering, has also prospered, alongside a strongly growing public sector. Those industries with an international market should continue to fare reasonably well. So too should agriculture as the market price of agricultural land continues to rise and Defra has started to be much more vocal about the importance of food production. However, the sub-region is particularly vulnerable to public sector cuts and the levels of job growth experienced in the 1990s and early 2000s are unlikely to return.

Most economic commentators envisage a return to very modest growth in Gross Value Added (GVA) by early 2010 but they caution against a swift return to the rates experienced in recent years. The requirement to pay back the heavy government debt incurred in 2008/09 will involve cut-backs in public spending and hence both GVA and employment will increase only slowly – at best - in the period to 2012 or even 2013.

Lower employment growth in Cambridgeshire will impact on levels of inward migration and hence the demand for private sector housing, both owner-occupied and private rented.

9.8 Conclusions

Labour market forecasting involves the adoption of a wide number of assumptions, ranging from international and national economic prospects down to local company performance, commuting and the qualifications of the local labour force. In a relatively short period of time the assumptions underpinning labour demand and supply forecasts for the Cambridge sub-region have changed significantly. The most recent 'recession-aware' forecasts of job growth have reduced, as have the forecasts of labour supply. Although there is a degree of alignment in the sub-region as a whole for the period 2006 to 2021 there are marked differences in the growth or change forecast at a district level. There are also critical

differences with respect to employment change forecast for the short term (2006 to 2011) and in the medium term (2011 to 2021).

Monitoring involves a lag between collecting and publishing data and in the case of employment there is, as yet, limited information available beyond September 2007, when the credit crunch was still 'off limits'. However, Annual Population Survey data indicate some loss of jobs arising after April 2008 and increasing claimant unemployment is also an indicator of falling employment.

It is useful to conclude with an overview of the period 2001 to 2021, bringing together estimates of change in employment and labour supply between 2001 to 2006 with forecasts for the period 2006 to 2021. The data are not complete as data are missing for the two Suffolk districts. Forecasts of employment for Forest Heath and St Edmundsbury have been produced by assuming job growth follows regional trends but it has not been possible to produce equivalent forecasts of labour supply.

Table 12 provides a breakdown of key labour market indicators at a district level, combining information for Cambridge City and South Cambridgeshire. It shows net in-commuting at 2001 and the forecasts which provided the basis of the RSS indicative employment targets for the sub-region. It summarises the Cambridge Econometrics' policy-based employment forecasts and Cambridgeshire County Council's policy-based labour supply forecasts. The final column shows the possible net commuting balance at 2021.

It is important to note that any forecast increase in jobs is likely to exceed the related increase in 'workplace population'; this is because an estimated 5% of the working population have more than one job. Consequently the 'net commuting balance' indicator should be treated with caution.

Table 12: Key Labour Market Indicators, Cambridge sub-region, 2001 to 2021

Districts	Net in-commuting balance 2001	EG21 jobs growth 2001/21 (basis of EoE targets)	'Best' forecast of jobs 2001/21 (CE RSS/CCC)	'Best' forecast of labour supply 2001/21 (CCC)	'Best' net in-commuting balance 2021
Cambridge City & South Cambridgeshire	24,400	49,400	33,400	37,600	20,200
East Cambridgeshire	- 12,300	4,900	10,800	3,200	-4,700
Fenland	- 6,000	5,100	7,000	7,100	-6,100
Huntingdonshire	- 13,300	14,300	5,400	2,800	-10,700
Forest Heath #	- 3,900	5,700	1,900 #	n.a.	n.a.
St Edmundsbury #	100	7,100	7,700 #	n.a.	n.a.
Cambridge sub-region	**- 3,200**	**86,500**	**66,300 #**	**n.a.**	**n.a.**
Cambridgeshire	*-7,200*	*73,700*	*56,600*	*50,700*	*-1,300*

Sources: 2001 Census; Experian BSL; Cambridge Econometrics; SQW Consulting; Cambridgeshire County Council.

 # Note: Suffolk districts' employment estimates/forecasts assume a constant share of regional growth (CE)

Table 12 shows that the 'best' policy-based forecast of net employment growth in the sub-region over the period 2001 to 2021 falls well short of the 'EG21' forecasts, 20,200 lower, (66,300 as against 86,500). The shortfall for the five Cambridgeshire districts is 17,100 (56,600 as against 73,700). However, there is a better fit when the most recent 'best' forecasts of employment and labour supply are compared, although as discussed above, fulldata sets are only available for Cambridgeshire districts.

The changes forecast between 2001 and 2021with respect to net in-commuting at a district level appear to support the objective of increased sustainability. For example, net in-commuting to Cambridge/South Cambridgeshire could fall by over 4,000; net out-commuting from East Cambridgeshire and Huntingdonshire is also forecast to reduce, with little change in Fenland. However, the figures must be treated with caution. As an example the estimate of 10,000 employment growth between 2001 and 2006 in East Cambridgeshire is particularly suspect and is reliant on the ABI, where sampling variability is high.

9.9 **Issues**

- There continues to be considerable uncertainty about the robustness of employment and labour supply estimates and forecasts for districts in the East of England; recent forecasts are significantly different from those produced only two or three years ago.
- Although not explored in this chapter, the main data sources for monitoring employment change and workforce population change are not sufficiently robust to enable year-on-year changes to be accurately measured at a district level; this issue has been taken up with the Office for National Statistics
- Although recent forecasts of both employment and labour supply have varied significantly for the districts comprising the Cambridge housing sub-region they have generally moved 'in tandem' – i.e. both have been reduced as the recession has intensified, so alignment in terms of the balance of employed residents and workplace jobs has generally been maintained
- Forecasts published since the credit crunch and ensuing economic recession suggest that the 'indicative employment' targets of the East of England Plan are very unlikely to be achieved in the Cambridge sub-region by 2021.
- Within Cambridgeshire the labour market forecasts for 2001 to 2021 indicate that East Cambridgeshire and Huntingdonshire could experience reduced net out-commuting and Cambridge City/South Cambridgeshire could experience a small reduction in net in-commuting.
- There is a significant challenge for Fenland to attract employment over and above that indicated by 'trend' growth in order to prevent further increases in net out-commuting
- The recession has important implications for the growth of the region and sub-region: the ability to attract in-migrants is reduced and credit will continue to be in short supply for both movers and prospective first-time buyers. Restrictions on credit are also likely to hit the 'buy-to-let' market although the government is encouraging corporate investors to move into residential property. Collectively the knock-on impact is likely to result in reduced demand for new dwellings and hence the trajectories of development in major new settlements and expansion areas are at risk.