

Annex 4:
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1 Introduction

1.1 Key objectives

The purpose of this paper is to consider the level of employment growth that should form the basis of future employment land provision in York and its wider area. The key related questions for this assessment are:

- Are the plans for employment growth under the previous RSS still appropriate ones to pursue and how has the recession and public sector cuts altered the outlook to 2026?
- What levels of employment growth should York and the wider area seek to accommodate?

The review is based on a number of sources:

- The former Yorkshire and Humber Plan (RSS).
- Stage 1 and Stage 2 reports of the Employment Land Review (ELR), along with supporting documents.
- Comparative data on the impact of the recession on York and other UK cities.

In assessing employment, we consider the Cambridge Econometrics work which underpins the 2006 employment land assessment by SQW and the Entec review of that work (2007). Also the former RSS numbers, assumed to be around 2,000 net new jobs per annum. These documents and their analysis were produced before the recession and public spending cuts.

Alongside the use of existing evidence, we consider the long term trends in the York economy. We consider how well York has fared in the recession in the context of the wider regional and national economy and identify significant long-term relationships between trends in York and the wider economy. Having established such relationships, we are able to assess how future national growth assumptions may translate to York.

The work has been undertaken in parallel with work on housing forecasts and a separate paper has been produced on this issue. In general it has been assumed that it is the economy that will affect population and housing demand, particularly in terms of the role of economic performance and employment as main driver of in-migration. The implications of the economy on population are thus logically considered mostly in the population paper, drawing on this work. Both papers are also produced as part of a wider exercise of examining the role of the City of York in its wider context, particularly the spatial area of its influence. This wider work will also help on issues surrounding the possible sustainable allocation of future growth between the City of York and its wider hinterland.

Given changes in the macroeconomic environment the paper takes the opportunity to have a fresh and objective look at the issues for York as far as possible.

2 Policy Review

2.1 Regional Spatial Strategy

The adopted RSS¹ outlines the functional and economic objectives for the York Sub Area. It emphasises the dominance of York in the sub area, where the loss of traditional manufacturing jobs has been offset by growth in the services sector, including business and financial services, knowledge industries, tourism and the evening economy. These structural changes are likely to continue and underpin the long term growth of the York economy. The historic city centre of York is a major regional asset and is of national and international importance in terms of its history, heritage, architecture and archaeology. It is an established major generator of tourism and a 'gateway' to the Region's range of iconic built and natural attractions. Science City York provides support to technology-based businesses in York and the wider area focussing on the bioscience, creative industries, and digital/IT clusters.

The following observations and functions are outlined for surrounding settlements:

Selby - growth over the last 20 years based on exploiting the eastward extent of the Yorkshire coalfield and its rise as a commuter settlement with good connections to Leeds and York. More local employment is needed to increase job opportunity following the decline of coal mining in the Selby area and to support Selby's Principal Town role. Selby will be the focus of significant, but lower scale growth of housing and employment. It is well placed to accommodate development to serve its indigenous growth, but is also well related to York and the main urban core of the Leeds City Region.

Malton - is the Principal Town for much of the eastern part of the sub area and parts of the eastern Remoter Rural sub area. Further local scale employment opportunities are justified to diversify and grow the local economy and to counter outmigration by younger people and reduce long distance commuting. In the sub area's rural areas, employment in the agricultural sector has declined and this is likely to continue. This underlines the need for more small-scale diverse employment development in the sub area's service centres.

On development of the economy, Policy Y1 seeks to:

1. Diversify and grow York as a key driver of the Leeds City Region economy by encouraging the business and financial services sector, knowledge and science-based industries, leisure and retail services and the evening economy, and further developing its tourism sector
2. Spread the benefits of York's economic success to other parts of the sub-area and ensure that all members of the community have access to employment opportunities
3. Deliver economic growth at Selby and Malton in line with their roles as Principle Towns
4. Identify and safeguard a site for the Spallation project, in the vicinity of Selby

¹ The Yorkshire and Humber Plan: Regional Spatial Strategy to 2026, GOYH, May 2008.

The RSS includes an estimate of projected annual jobs growth for York of 2,130 jobs per annum. York is expected to deliver around two thirds of employment growth within North Yorkshire and just over 7% of total growth in the Yorkshire and Humber region. These are based on Regional Econometric Model (REM) and were produced before the recession and public sector budget cuts.

Potential annual jobs growth from 2006

	Total Jobs in 2006	Potential Annual Job Growth
Craven	23,600	100
Hambleton	38,750	190
Harrogate	68,520	410
Richmondshire	21,230	150
Ryedale	24,860	140
Scarborough	37,030	160
Selby	32,200	-60
York	93,820	2,130
North Yorkshire	340,000	3,220
Yorkshire and Humber	2,148,040	29,160

Source: RSS.

The following table provides a breakdown of forecast jobs growth by land-use. Over two thirds of employment growth in York is expected to be in town centres uses (offices B1a and retail and leisure) and Health and Education.

Potential annual jobs growth from 2006 by land-use

	Town Centre Uses		Employment Land Uses		Public services		Other uses
	Offices B1a	Retail and Leisure	Industry B1b/c B2	Storage /Dist B8	Health and Education	Other	
Craven	40	50	-30	10	10	0	40
Hambleton	10	40	20	20	30	-40	100
Harrogate	80	100	10	30	90	-20	130
Richmondshire	0	50	0	10	40	-20	60
Ryedale	20	20	20	10	20	-10	70
Scarborough	20	20	20	0	40	-10	70
Selby	0	30	-20	0	10	0	-90
York	480	450	210	180	480	50	230
North Yorkshire	660	750	240	270	720	-50	640
Yorkshire and Humber	5,970	4,460	5,340	1,960	5,740	-100	6,480

Source: RSS

Notes:

- 1. Other uses include primary/utilities and some construction, transport communications and other services.*
- 2. Selby figures do not include the Spallation project.*

The RSS finds no significant mismatch in North Yorkshire in relation to land for industrial and storage/distribution uses in terms of quantity of current allocations and potential future requirements. It is concluded that all districts will require employment land portfolios based on small/medium, high quality, specialist sites located in accordance with the Core Approach. It is noted that York may require additional allocations – with 40 hectares of employment land allocated in 2006 against a potential net change in land in industrial and storage/distribution uses over 2006-2021 of 90 hectares.

3 Evidence Base

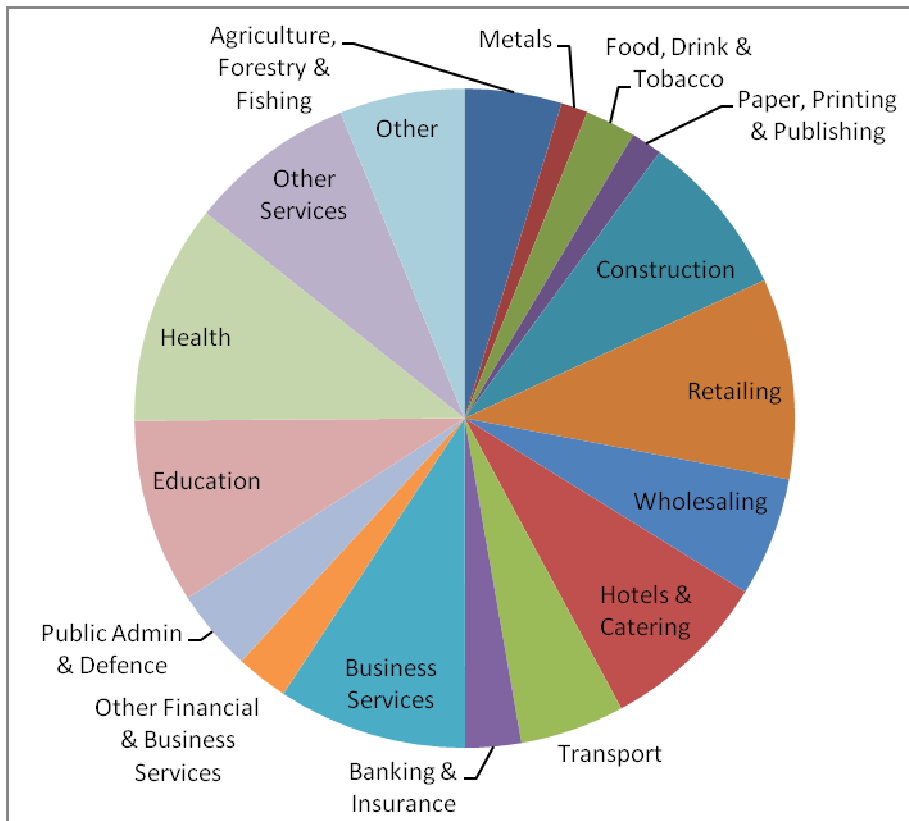
3.1 Existing evidence

Employment structure of York economy

An analysis of individual sectors across the York and North Yorkshire Sub Region shows that no one single sector dominates. However, when taken together, the sectors which are public sector orientated can be seen to dominate (education, health, public administration & defence, other services). These accounted for just over 32% of the total employment within the Sub Region in 2009.

The analysis below provides a more in-depth analysis of the largest sectors in the Sub Area and those where the most growth has occurred. This broadly follows the trends discussed above with the services sector growing and employing the largest proportion of people in the Sub Area. A more detailed breakdown of the largest employers in 2009 in the York Sub Area is provided in the figure below.

The proportion of FTEs employed in each sector in the York and North Yorkshire Sub Region in 2009, detailed breakdown



Source: REM, 2010, Arup Analysis

Note: Other signifies the total of those sectors which singularly employ less than 1% of all employees in the York and North Yorkshire Sub Region.

Key sectors

The York Sub Area has a strong basis in high value sectors such financial and business services. A significant proportion of people are employed in these sectors across the Sub Area, although proportionately York has the largest concentration of all those in employment employed within this sector. A strong base in these sectors is likely to be important in the short to medium term as it these sectors which are forecast to drive economic recovery from the recession.

Science City York is successfully driving the creation and growth of business and employment opportunities across York and North Yorkshire within three fast-growing technology sectors – bioscience, creative industries, and IT & digital. The bioscience cluster contains 54 companies and 3,700 life scientists, all working within 8 miles of the city centre. Over 100 IT & digital companies are based in York, employing more than 2,400 people.

Other important sectors in the Sub Area include tourism, retail and construction. Tourism is a particular strength of the city given its unique historical assets – 4 of the top 20 visitor attractions in Yorkshire are in York (National Railway Museum, York Minster, JORVIK, Cliffords Tower)². In 2008, a new economic impact model for tourism was adopted across Yorkshire. This indicates that in 2008 there were 7.1 million visitors to York with associated spending of £443m and creating in order of 22,900 jobs.

Forecasts of employment growth and land requirements

The Employment Land Review (ELR) for York was conducted in two stages and produced forecasts for employment and future land requirements.

Stage 1 of the ELR produced in 2007³ assessed the current situation and future economic prospects for employment land provision in York and forms the basis for the second part of the ELR which includes the employment site portfolio and recommendations. The objective of the work was to provide an evidence base to underpin the approach to employment land provision to 2021, to help achieve local economic objectives and to contribute to the preparation of the RSS.

On the supply side, the study concluded that the existing and potential supply of employment land in the York area is substantial even if various existing like-for-like employment sites and various other sites are not included. This results to some extent from an overhang of various industrial sites from York's industrial past and the lack of fit of these sites with the market demand characteristics typifying the expanding service and knowledge-based industries. On the demand side, the short to medium term view of the property market indicated a consistent overall demand for office space in York of 12,500 to 15,000 sqm per year, most of which for high quality office space. Demand was strongest for high quality space

² Yorkshire Visitor Attraction Monitor and VisitBritain Annual Attraction Report 2008.

³ Employment Land Review Stage 1 – Current Situation and Future Economic Prospects (SQW, 2007)

in the city centre where there is a marked shortage of supply and there was reported demand of 10,000 sqm per year of industrial and warehousing space, mainly smaller units. It was seen as unclear however, how long the latter will continue.

As part of the Stage 1 study, Cambridge Econometrics prepared baseline and customised econometric forecasts for the York economy for 2006 to 2021. The forecasts are trend based and reflected national econometric projections adjusted to the specific profile of the local economy. The customised forecasts adjust the baseline to reflect the expected effects of the growth in the Science City York sectors (IT digital, bioscience and cultural & creative industries) which are assumed experience growth in employment of 5% per year. The forecasts estimate an additional 1,067 jobs per annum in 2006-2021.

Overall the Stage 1 study estimates that total employment land requirements will increase in the York area by 22.5 hectares from a stock of about 204 hectares in 2006 to about 226 hectares in 2021 with a relatively fast rate of increase between 2006 and 2016 stabilising to 2021. The underlying expectation is that structural changes in the economy will create substantial demands for specific types of sites although the net change in overall employment land requirements will be small.

Employment forecasts – Stage 1 ELR, 2007

	1986	1991	1996	2001	2006	2011	2016	2021
Baseline								
Manufacturing	18.810	18.814	15.522	12.763	9.368	8.974	8.454	7.965
Distribution, hotels and catering	17.530	18.697	19.089	19.387	20.808	22.169	23.298	24.376
Financial and business services	7.766	10.812	14.608	15.323	13.310	14.123	15.249	16.460
Other services	18.223	20.942	23.302	24.357	29.222	30.951	32.155	33.185
Construction, transport and other sectors	14.655	13.876	14.301	19.142	17.710	18.246	18.884	19.614
Total	76.984	83.141	86.822	90.972	90.418	94.463	98.040	101.600
Total change		6.157	3.681	4.150	-0.554	4.045	3.577	3.560
Custom								
Manufacturing	18.810	18.814	15.522	12.763	9.368	9.096	8.715	8.405
Distribution, hotels and catering	17.530	18.697	19.089	19.387	20.808	22.168	23.296	24.373
Financial and business services	18.223	20.942	23.302	24.357	29.222	31.454	33.399	35.433
Other services	7.766	10.812	14.608	15.323	13.310	14.625	16.236	18.071
Construction, transport and other sectors	14.655	13.876	14.301	19.142	17.710	18.378	19.189	20.141
Total	76.984	83.141	86.822	90.972	90.418	95.721	100.835	106.423
Total change		6.157	3.681	4.150	-0.554	5.303	5.114	5.588

Source: Stage 1 ELR (2007).

The Stage 2 study for the ELR was published in February 2009⁴. This developed a level of future demand for the B use employment classes on the basis of the customised Cambridge Econometrics employment forecasts from the previous Stage 1 study. The base forecast was translated initially into different use classes and then into land demand through the plan period. This forecast has then been adjusted in order to include a margin for choice and reflect uncertainty within the forecast methodology. It is reproduced below.

Employment Land Forecasts – Stage 2 ELR (2009)

Use class	2006-2021	2006-2026	2006-2029
B1(a)	8.80 (3.52 to 14.08)	12.53 (5.01 to 20.04)	15.10 (6.04 to 24.17)
B1(b)	0.79	1.04	1.21
B1(c), B2	0	0	0
B8	21.18	28.54	33.29
Total	30.77	42.11	49.60

Source: Stage 2 ELR (2009).

3.2 Emerging evidence

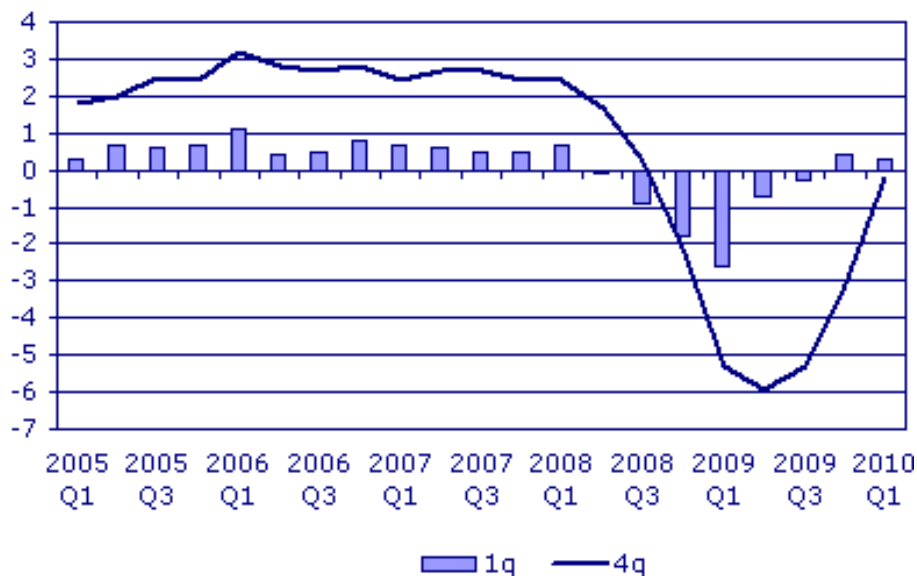
Impact of recession and government spending cuts

The world experienced a global financial crisis in 2007-2010 which resulted in the late 2000s recession. This was associated with significant contractions in output and employment in several of the world's largest developed countries. The recession in the UK has been one of the most severe in its history. It has had a wide ranging impact across businesses and consumers across the country.

After several quarters of contraction in GDP, UK GDP increased by 0.3% in the first quarter of 2010.

UK GDP Growth, 2005-2010

⁴ Employment Land Review Stage 2 – Main Report (Entec, February 2009).



Source: Office for National Statistics.

Whilst there is still a degree of uncertainty about the macroeconomic situation going forward, for example in relation to the possibility of a ‘double-dip’ type recession, latest government forecasts are working on a central scenario of slow and gradual recovery. The next sub-section discusses current national macroeconomic expectations in further detail.

The impacts of the late 2000s recession have been felt across the country, in particular in the form of increased levels of unemployment amongst the population. The magnitude of impact however has been different across different geographies and cities. This reflects differences in economic structure between locations and hence their relative vulnerability to the effects of the recession and incidence of unemployment. The Centre for Cities ‘Cities Outlook 2010’ has ranked UK cities in terms of their rise in unemployment during 2008-2009 – based on the change in the number of JSA claimants. York is ranked 8th within the top 10 cities posting the smallest rises in unemployment (see following table). It has therefore been relatively resilient to the recession in comparison with other UK cities. This may be a reflection of its relatively diverse economic base as identified earlier in this paper, meaning that York is not overly reliant on any one particular sector. York’s relatively high skills base is also likely to be a contributory factor. Cities that have had a high level of people educated to NVQ4 and above, and high skilled economies, have suffered much less during the recession. The skills base has meant that the city has had greater potential to act as a strong, independent economic centre compared to those who haven’t raised their skills profile.

Examining the rankings, it is also interesting to note that some of the cities posting the highest growth in employment in 2006-2008 also appear as those cities suffering the highest rises in unemployment in 2008-2009 (see following tables). Milton Keynes is one such example, achieving the highest employment growth in 2006-2008 and also ranking in the worst ten for unemployment gain in 2008-2009. This suggests that while some cities have achieved high growth in employment, this is not always sustainable employment. Whilst York does not achieve a top 10 ranking on employment growth in 2006-2008, its level of

employment has proved more sustainable in the face of recession. This is important for maintaining relative stability in the face of economic shocks and for confidence in the city and its workers/residents.

In the face of a high level of government debt, the Coalition government is making substantial cuts to public sector spending. A number of significant cuts have already been outlined but the picture will become clearer once it publishes its Comprehensive Spending Review 2010 in late October. Nonetheless, the general expectation is that cuts will be made over the next 4 or 5 years which will result in substantial job losses within the public sector. This is a further challenge which the economy must contend with, following the late 2000s recession. The impact is likely to be felt most in those geographic locations where there is a higher proportion of total employment accounted for by the public sector.

A report by UHY Accountants published in July 2010⁵ examines the potential impact of public sector budget cuts on UK cities. This highlights that, compared with the South of England, Northern towns and cities generally have a higher concentration of public sector workers, which means they are more likely to suffer from cuts in public spending. York is ranked 11th in the top 50 cities with the greatest proportion of the workforce employed by the public sector. It has 34% of workers in the public sector, compared with a national average of 30%. The report concludes that a 25% cut in public sector expenditure will lead to a loss of some 600,000 jobs over the next 5 years.

The latest regional labour market report⁶ provides emerging evidence for York and the Yorkshire and Humber region in relation to employment. Positively, both male and female employment increased in the three months to June, reversing the previous (and recessionary pattern) of falling male employment and rising female employment. The recovery in the rate of male employment has been most visible in the 2nd quarter of 2010, with the rate still lower compared with the same period last year. The claimant count rate continues to move steadily downwards although the rate of change remains very small (0.1 percentage points in each of the last six months). Although lagged (with data available to March 2010) the workforce jobs series indicates that the production industries have shown the strongest growth in employment (especially manufacturing).

Beneath the headline trend of rising employment the type of jobs growth evident in the Yorkshire and Humber economy clearly indicates that part-time employment is driving net new employment gains. The latest labour market data confirms the insights of many recent leading indicator business surveys which highlight employers' preferences for short and part-time working (or hiring) as the economy recovers.

⁵ UHY Accountants, Press release (13th July 2010), <http://www.uhy-uk.com/pages/posts/manchester-to-escape-worst-of-public-sector-cuts-compared-to-rest-of-north752.php>.

⁶ 'Summary labour market statistics: August 2010 Statistical Bulletin fro Yorkshire and The Humber', Yorkshire Forward/ONS/Jobcentre Plus.

Cities with the lowest and highest increases in JSA claimant count since February 2008

Rank	City	Change in number of claimants, Feb 2008 – Nov 2009	Claimant count rate, Nov 2009	Change in JSA claimant count rate, Feb 2008 – Nov 2009
Lowest				
1	Cambridge	705	2.1	0.8
2	Aberdeen	1,338	2.2	1.0
3	Blackpool	2,360	3.6	1.2
4	Oxford	1,333	2.5	1.2
5	Preston	2,882	3.3	1.3
6	Norwich	2,275	3.5	1.4
7	Edinburgh	4,807	3.2	1.5
8	York	1,996	3.0	1.6
9	Portsmouth	5,412	3.5	1.7
10	Dundee	1,513	5.4	1.7
Highest				
55	Milton Keynes	3,962	4.7	2.6
56	Northampton	3,456	5.0	2.6
57	Hastings	1,326	6.2	2.6
58	Wigan	4,849	5.1	2.6
59	Rochdale	3,442	5.9	2.7
60	Doncaster	4,799	5.7	2.7
61	Birmingham	41,301	7.3	2.9
62	Swindon	3,813	4.7	3.1

63	Grimsby	2,929	6.8	3.1
64	Hull	6,164	8.4	3.7
	England	601,954	4.1	1.9
	Great Britain	692,609	4.1	1.9

Source: Centre for Cities (2010)

Employment growth 2006-2008

Rank	City	Total employees 2008	Total employees 2006	Change 2006-2008 (%)	Net job gains/losses
Highest					
1	Milton Keynes	142,800	131,800	8.3	11,000
2	Oxford	107,800	100,000	7.8	7,800
3	Aberdeen	176,300	165,300	6.7	11,000
4	Belfast	295,00	277,000	6.5	18,000
5	Aldershot	88,300	83,500	5.7	4,800
6	Southend	104,000	98,500	5.2	5,100
7	Portsmouth	212,500	202,500	4.9	10,000
8	Glasgow	571,500	546,600	4.6	24,900
9	Wakefield	138,900	133,000	4.4	5,900
10	London	4,724,000	4,540,500	4.0	183,500
Lowest					
55	Worthing	43,800	44,900	-2.4	-1,100
56	Swansea	103,900	106,700	-2.6	-2,800
57	Gloucester	62,000	63,800	-2.8	-1,800
58	Hull	115,700	119,200	-2.9	-3,500
59	Huddersfield	150,200	155,300	-3.3	-5,100
60	Rochdale	74,000	76,600	-3.4	-2,600
61	Middlesbrough	181,300	187,900	-3.5	-6,600
62	Wigan	98,700	102,300	-3.5	-3,600

63	Burnley	63,000	66,600	-5.4	-3,600
64	Norwich	131,500	140,400	-6.3	-8,900
	England	26,677,200	26,355,100	1.2	322,100
	Great Britain	23,073,700	22,790,200	1.2	283,500

Source: *Centre for Cities (2010)*

National macroeconomic expectations

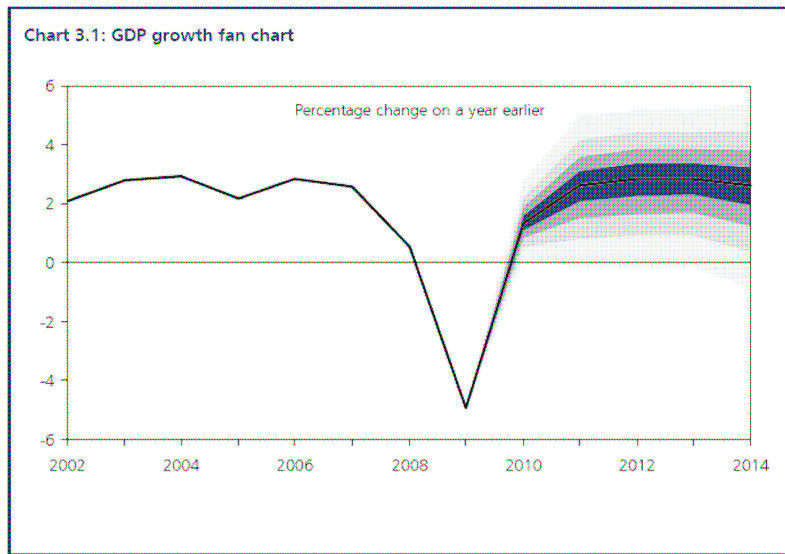
The central forecast published by the Office for Budget Responsibility (OBR) in June 2010⁷, upon which it bases its forecasts of public finances, shows that the economic recovery is expected to strengthen in 2010 and beyond, as private sector demand continues to pick up. Trend output is estimated to grow at just over 2 ¼ per cent over the next three years, slowing to just over 2 per cent from 2014 as demographic changes reduce the growth of the potential labour supply. In relation to employment, the forecast is for employment to stabilise this year and rise from 2011 onwards, reaching just under 30 million in 2014. The ILO unemployment rate peaks in 2010, before falling back to 6 ¼ per cent in 2014.

The forecast assumes that credit conditions will continue to improve throughout 2010. This view is consistent with survey evidence from the Bank of England, which suggests credit availability to firms and households has eased slightly, although it remains tight compared to pre-crisis levels. Credit conditions could remain constrained or even tighten further if banks make substantial adjustments to their balance sheets or continue to face funding pressures.

The instability in financial markets caused by concerns over fiscal sustainability within Europe may hold back credit growth in the near term.

OBR Central Forecast - GDP

⁷ Office for Budget Responsibility – Pre-Budget Forecast (June 2010).



Source: OBR (June 2010)

The latest forecasts by the Treasury⁸ present the average and range of independent forecasts for core economic indicators for 2010 and 2011 as well as medium term forecasts to 2014. The forecasts for GDP growth and unemployment are shown in the tables below. These show a lower expectation of GDP growth looking forward, particularly for 2010 for which an average rate of 1.5% is forecast against the OBR forecast of 2 ¼ per cent. The forecasts also highlight the expectation that unemployment will continue to rise into 2011 before it begins to fall in 2012 onwards.

Treasury Forecasts for 2010/2011 – GDP and Unemployment

	Independent				Average of new forecasts
	Averages		August		
	August	July	Lowest	Highest	
2010 Forecast					
GDP growth (per cent)	1.5	1.2	1.2	1.9	1.5
Claimant unemployment (Q4: mn)	1.52	1.60	1.33	1.65	1.51
2011 Forecast					
GDP growth (per cent)	2.0	2.1	1.0	3.2	1.9
Claimant unemployment (Q4: mn)	1.58	1.64	1.20	1.90	1.57

Source: Treasury (August 2010)

Treasury Medium Term Forecasts to 2011 – GDP and Unemployment

	2010	2011	2012	2013	2014
GDP growth (per cent)	1.3	2.0	2.2	2.4	2.4
Claimant unemployment (mn)	1.56	1.59	1.56	1.49	1.40

⁸ Forecasts for the UK economy: a comparison of independent forecasts (August 2010).

Source: Treasury (August 2010)

Note: Figures for 2010 and 2011 differ between the two tables since the results are averages from different a different sample of forecasters for the short and medium term outlooks.

The current macroeconomic environment is clearly one in which making future forecasts is extremely challenging. However, it is clear that the expectation is toward marked lower than previous trend growth in 2010 and 2011, at a slower pace than anticipated by the Office for Budget Responsibility. Looking over a 4-5 year period, growth is also expected to be below previous trend levels.

4 Analysis and Forecasts

4.1 Previous employment forecasts

Previous employment forecasts

The jobs forecasts used in the adopted RSS were based on the Regional Econometric Model (REM). This is a regional model which uses forecasts of the national economy and relationships between certain variables in the region to produce regional forecasts. Various scenarios were run but 'Option D' was the scenario used in the adopted RSS. This scenario is very similar to the 'Option C' scenario in the original RSS – which assumed a 'transformational agenda' where policy interventions are successful and the region's share of growth sectors moves towards the UK average. 'Option D' however also incorporated the envisaged employment outcomes from 250 regeneration and development projects across the region. For York, the projects added into the projections were Castle Piccadilly, Foss Island Road, Hungate, Terry's Site Development, Vanguard Site Development, York Central and Heslington East. As a result, this scenario produced a much higher level of jobs growth (in order of 2,130 jobs per annum) than any of the scenarios run in the original RSS.

The RSS made provision for the use of more detailed local forecasts of employment growth and the ELR has provided an evidence base in this regard. The ELR forecasts suggest an average annual employment growth figure for York of 1,067 jobs per annum. The employment forecasts were based on customised forecasts produced by Cambridge Econometrics with a preferred scenario whereby employment in portions of sectors representing the SCY growth sectors were assumed to grow at 5 % per year.

Changes to factors affecting employment outlook

The REM based employment forecasts used in the adopted RSS were based on an optimistic scenario and also produced at a time of general optimism – before the late 2000s recession and public sector spending cuts. Section 3 has provided an overview and analysis of the late 2000s recession, public sector spending cuts and macroeconomic expectations. It is judged that the employment forecasts of some 2,130 jobs per annum outlined in the adopted RSS are overly optimistic given the changes since previous work was undertaken. In particular, whilst the UK has emerged technically from the late 2000s recession, macroeconomic conditions remain challenging with a lower trend rate of growth anticipated nationally over the next 3-5 years.

The more detailed local employment forecasts in Stage 1 of the ELR were produced in 2007. Whilst these forecasts will have taken account fluctuations in the economic cycle, they were still produced at a time of relative economic optimism and have therefore in similarity with the RSS forecasts been overtaken by events including the recession and public sector cuts. Nonetheless, it is noted that these forecasts are considerably lower than those in the RSS and that on the other hand this paper is being produced in a time of relative economic uncertainty.

Comparison against other UK cities has also shown that York has been relatively resilient to job losses through recession. It is benefiting from having a fairly broad economic base.

A further important consideration is the impact of public sector spending cuts on public sector employment. York has a higher than average proportion of its employment accounted for by the public sector and is therefore potentially more at risk in relation to forthcoming cuts. It is also apparent that the coalition government is going to carry out much less public sector relocation than planned by the previous administration (i.e. moving functions out of London). Accordingly, there is less scope for York to pick up relocations arising from transfer of public sector space from London. The implication is that York may struggle to achieve net employment growth in the short term even with modest expansion of growth in employment in the private sector.

There are a number of physical development projects in the York which are of a scale that can be considered as 'transformational'. These include York Central, Terry's, Nestle and Hungate. These are expected to bring significant employment to the city, York Central alone being expected to deliver 4700-7400 jobs over a 15-20 year period. There have not been large employment led schemes in the city in the last decade but over the next 20 years schemes such as these are expected to emerge. Whilst there may be some delays experienced due to macroeconomic conditions, it is expected that these schemes will go ahead and support higher employment growth in the longer term.

4.2 New employment forecasts

In considering future employment growth in York, it is necessary to account for changes in the macroeconomic environment, public sector expenditure and regeneration/major physical development projects. At the outset however, we would emphasise the high degree of uncertainty associated with forecasting vital macroeconomic trends at this juncture in time – in particular in the context of mixed signals emerging from core macroeconomic indicators, uncertainty over the exact nature of public spending cuts and over the longevity of the current Coalition government. Nonetheless, our forecasts seek to make informed adjustments to the previous forecasts based on the available information and provide a range of expected employment outcomes. We use the more detailed local forecasts produced for the ELR as a starting point and focus on average annual job creation figures to 2026.

We have based our forecasts around three alternative scenarios, reflecting the current level of uncertainty over the future growth of the UK economy:

1. Double-dip recession – Where the UK experiences a double-dip recession, most likely in 2011. In this scenario, employment losses continue to rise in the short-term, physical development projects are constrained and the return of jobs growth occurs later than the other scenarios.
2. Muted growth (central scenario) – Where the UK experiences a gradual recovery with growth muted over the first 5 years due to the effects of public sector cuts, higher taxes and deleverage occurs. In this scenario, employment growth is expected to be lower in the short to medium term but higher in the longer term. This is expected to be the scenario with the highest probability and therefore is our 'central' scenario.

3. Faster growth – Where the UK experiences a more rapid recovery. In this scenario, growth in the private sector is stronger earlier and compensates for losses in public sector jobs, driving a higher average annual figure of jobs growth.

Applying these scenarios and using the ELR forecasts of 1,067 jobs per annum yields the estimates in the following table. The broad sectoral composition of this growth is expected to remain largely unchanged from the assumptions in the ELR although it is acknowledged that public sector cuts may mean less of the growth is in the ‘public services’ category (comprising health and education).

Scenario	Average annual jobs growth	% reduction to ELR forecasts
Double-dip	800	-25%
Muted growth (Central Scenario)	960	-10%
Faster growth	1,067	0%

4.3 Implications for employment land

These employment forecasts can be translated into employment land requirements for York. In assessing the implications for employment land, it is important to consider margin of choice of employment land taking into account sectoral mix and requirements, churn in the existing stock, differing levels and contexts for development viability.

The margin of choice ensures there is some flexibility in the market, including an allowance for uncertainty that factors in the errors associated with the employment projection demand (meaning: the difference between the observed ‘actual’ pattern of employment growth and the projection, not technical error) and to provide for some degree of choice, thereby attempting to mitigate the potential for monopoly positions to develop in employment land provision. The Stage 1 ELR report essentially provided for this in assuming a continual 5% vacancy rate over the plan period. The Stage 2 report applies another approach to introducing a margin by adding on the equivalent of the average development timescale (in this case 2 years’ worth of the gross (i.e. total) identified requirements). We consider this to be relatively low and given the significant uncertainty that prevails it is prudent to incorporate a higher margin of choice (20%). We assume that the sectoral mix of growth remains in line with assumptions made in the ELR work.

The following table shows the estimates of employment land requirement for the three macroeconomic scenarios with and without the margin of choice. The central scenario generates a slightly lower employment land requirement compared with the ELR figures when considered without the margin of choice (41.08 hectares compared with 45.64 over the period 2006-2029). However, incorporating a higher margin of choice, the central scenario and ELR estimates are very similar.

In thinking about other influences on employment land in the future, one aspect which may be worthy of investigation is the potential impact of increased deployment of localised renewable provision on sites. This could have implications for required plot size and therefore total employment land requirements. It is not clear whether this has been accounted for in the ELR estimates.

Employment Land Requirements

	2006-2021	2006-2026	2006-2029
Without margin of choice			
Double-dip	20.36	27.72	34.23
Muted growth (Central Scenario)	24.44	34.46	41.08
Faster growth	27.15	38.29	45.64
<i>ELR</i>	<i>27.15</i>	<i>38.29</i>	<i>45.64</i>
With margin of choice			
Double-dip	24.44	34.46	41.08
Muted growth (Central Scenario)	29.32	41.35	49.29
Faster growth	32.58	45.95	54.77
<i>ELR</i> ⁹	<i>30.77</i>	<i>42.11</i>	<i>49.60</i>

Source: Arup using ELR data.

⁹ Incorporating original ELR margin of choice.

5 Conclusions

The REM based employment forecasts used in the adopted RSS were based on an optimistic scenario and also at a time of general optimism – before the recession and public sector spending cuts. It is therefore judged that the employment forecasts of 2,130 jobs per annum outlined in the adopted RSS are optimistic given the changes since previous work was undertaken. In particular, whilst the UK has emerged technically from the late 2000s recession, macroeconomic conditions remain challenging with a lower trend rate of growth anticipated nationally over the next 3-5 years.

The more detailed localised employment forecasts produced for the ELR of an average of 1,067 jobs per annum appear to be of a more realistic level. The sectoral mix of employment growth assumed in the ELR also still appears sound for York's long term planning. Pressures on public sector employment in the short to medium term may place greater reliance on private sector job creation however.

A lot rests on the extent to which the private sector can expand and create employment, mitigating the contraction in public sector employment expected to arise from cuts of around 25% in public sector expenditure. Some evidence suggests that a 25% cut in public sector expenditure will lead to a loss of some 600,000 jobs over the next 5 years. York does possess a higher than average proportion of employment in the public sector and therefore is potentially vulnerable to future cuts. Recent press releases also point toward a trend of rationalisation and associated job losses in the banking sector which could affect locations in Yorkshire.

On the basis of our analysis of macroeconomic and fiscal changes since the ELR, we would consider that our central scenario of 960 additional jobs per annum to be a realistic average figure for the period. It is expected that actual per annum jobs growth will fall short of this in the short to medium term 5 year horizon as the UK experiences muted growth. In the longer-term growth in the Science City sectors is expected to deliver higher levels of employment creation. In terms of employment land requirements, we therefore conclude that provision should be made on the basis of average annual jobs growth of 960 jobs not 2,130 as per the adopted RSS. This is more in line with the more detailed local employment forecasts produced for the ELR. The central scenario generates a slightly lower employment land requirement compared with the ELR figures when considered without the margin of choice (41.08 hectares compared with 45.64 over the period 2006-2029). However, we suggest a larger margin of choice be adopted to enable sufficient 'churn' and fluidity in employment space in York - incorporating this results in the central scenario and ELR figures being very similar.

Whilst the employment projections in the adopted RSS may be overly optimistic, the general priorities and strategy outlined for the York Sub Area remain valid – growing the city as a key driver in the wider Leeds City Region. The comparisons with other UK cities in resilience to the recession made earlier in this paper also highlights the value of retaining an emphasis on creating high value sustainable growth of employment in York rather than purely growth alone.

