

Blaenau Gwent

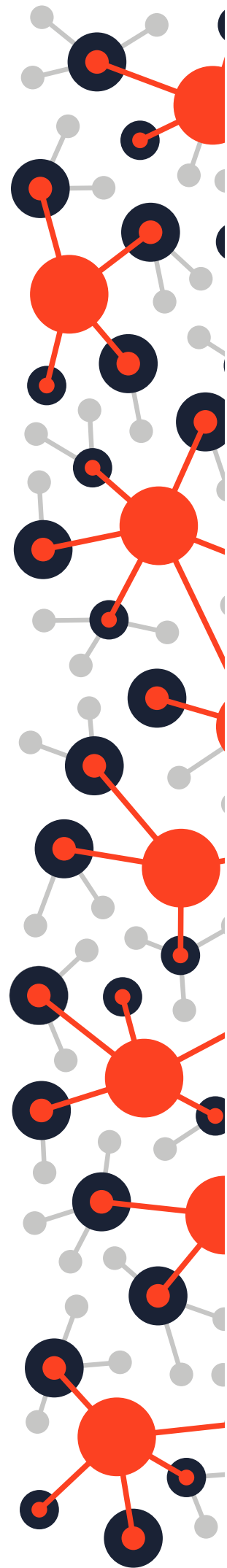
Employment Growth Analysis

Addendum to *LDP Demographic Evidence* Report

August 2019



Nexus | Discovery Way | University of Leeds | Leeds | LS2 3AA
0113 819 5087 | www.edgeanalytics.co.uk



Acknowledgements

Demographic statistics used in this report have been derived from data from the Office for National Statistics licensed under the Open Government Licence v.3.0.

The authors of this report do not accept liability for any costs or consequential loss involved following the use of the data and analysis referred to here; this is entirely the responsibility of the users of the information presented in this report.

Contents

Acknowledgements.....	i
Contents.....	ii
Introduction	1
Linking Population and Employment.....	1
Employment Growth Outcomes	2
Conclusion.....	4

Introduction

- 1.1 This document is an addendum to the main *LDP Demographic Evidence* report, produced in draft form for Blaenau Gwent, Monmouthshire and Torfaen.
- 1.2 Following receipt of an Oxford Economics employment forecast for Blaenau Gwent, this addendum examines the relationship between population, housing and employment growth under different assumptions.
- 1.3 The content of the addendum will be integrated within the main *LDP Demographic Evidence* report in due course.

Linking Population and Employment

- 1.4 The demographic scenarios have presented a range of population growth outcomes, from population decline under the **WG 2014 (Principal)** scenario, to positive growth under dwelling-led and higher migration scenarios. Underpinning all scenarios are significant changes in the age-profile of Blaenau Gwent's population. Major growth in the 65+ age-range is inevitable, under all scenarios. Maintaining the size of the labour-force, 16-64 age-groups, requires a higher net in-migration balance, supported by housing growth and economic opportunity.
- 1.5 Key to considering the dynamic relationship between the changing size of the resident population, labour force and employment growth are three economic assumptions: (i) economic activity rates (also known as labour force participation rates); (ii) an unemployment rate; and (iii) a commuting ratio.
- 1.6 Economic activity rates determine the proportion of the population that is actively engaged in the labour force; either employed or unemployed. In the analysis presented here, Blaenau Gwent's economic activity rates have been adjusted in line with the Office for Budget Responsibility's (OBR) July 2018 forecast of long-term changes to age-specific, labour force participation. In addition, achievement of Welsh average economic activity rates in Blaenau Gwent has been considered.
- 1.7 The unemployment rate determines the proportion of the labour force that is unemployed (and as a result, the proportion that is employed). Blaenau Gwent experienced a period of higher unemployment over the 2009–2013 period, reflecting national trends. Between 2013 and 2017 Blaenau Gwent's unemployment rate fell to 5.4%, its lowest point since 2004. In the demographic scenario analysis presented here, Blaenau Gwent's unemployment rate is allowed to reduce further, achieving the lowest national rate (4.6%) by the end of the plan period.
- 1.8 The commuting ratio is the balance between local employment and the size of the resident workforce. A commuting ratio greater than 1.00 indicates a net out-commute (i.e. the number of resident workers in an area is greater than the level of employment). A commuting ratio less than 1.00 indicates a net in-commute (i.e. the employment total is greater than the number of resident workers). The 2011 Census recorded 28,400 workers living in Blaenau Gwent and 22,115 people working in the area. The balance between the two results in a large net out-commuting ratio of 1.28. The impact of reducing

the commuting ratio from the 2011 level to the 2001 Census value of 1.20 by the end of the forecast period is also tested in the demographic scenario analysis presented here.

Employment Growth Outcomes

- 1.9 This section considers each of Blaenau Gwent's demographic scenarios alongside the most-recent Oxford Economics employment forecast (**OE 'Baseline'**), considering how variations in migration, plus variations in each of the three key economic variables, might underpin employment growth outcomes.
- 1.10 Oxford Economics has produced a 'Baseline' economic forecast for Blaenau Gwent, informed by a population growth outcome that is similar to that presented in the **WG 2014 (Principal)** scenario (population decline by 2033). This economic forecast estimates a decline in Blaenau Gwent's employment total by **72 per year¹**, 2018-2033.
- 1.11 This **OE 'Baseline'** forecast provides the benchmark against which the potential employment-growth outcomes of the demographic scenarios are compared, illustrating comparable population change estimates alongside.
- 1.12 In this first illustration, the estimated employment growth² associated with each of the demographic scenarios is presented under three assumptions: economic activity rates adjusted in line with OBR forecasts; unemployment rate and commuting ratio unchanged from current levels (Figure 1).

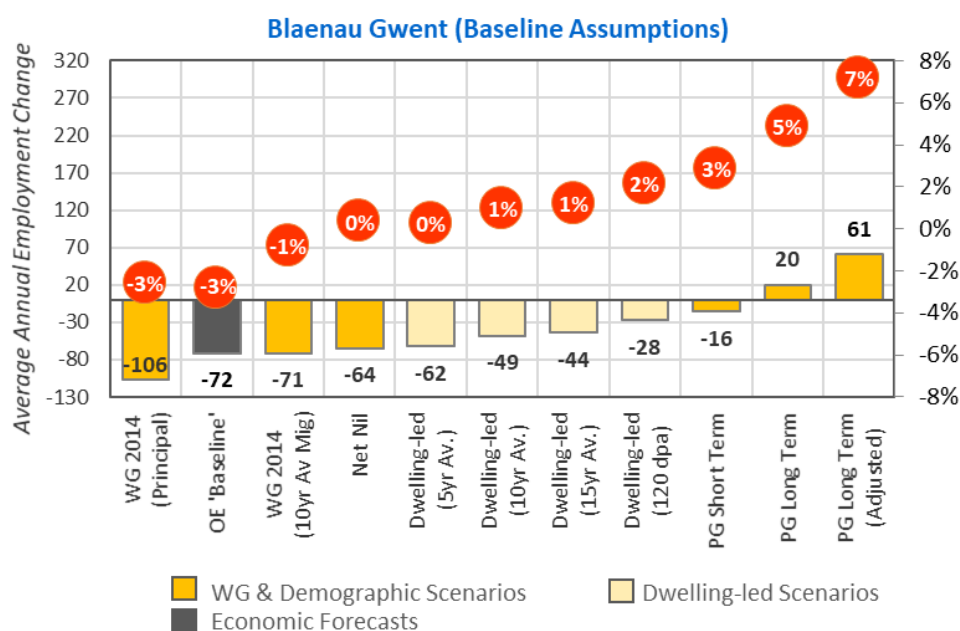


Figure 1: Blaenau Gwent – population and employment growth scenarios (baseline)

¹ Workplace-based employment (persons)

² Workplace-based employment (persons)

- 1.13 Secondly, OBR adjustments to economic activity rates are combined with a reducing unemployment rate (4.6% by 2033), with the commuting ratio remaining unchanged. Average annual employment growth rises as a result (Figure 2).

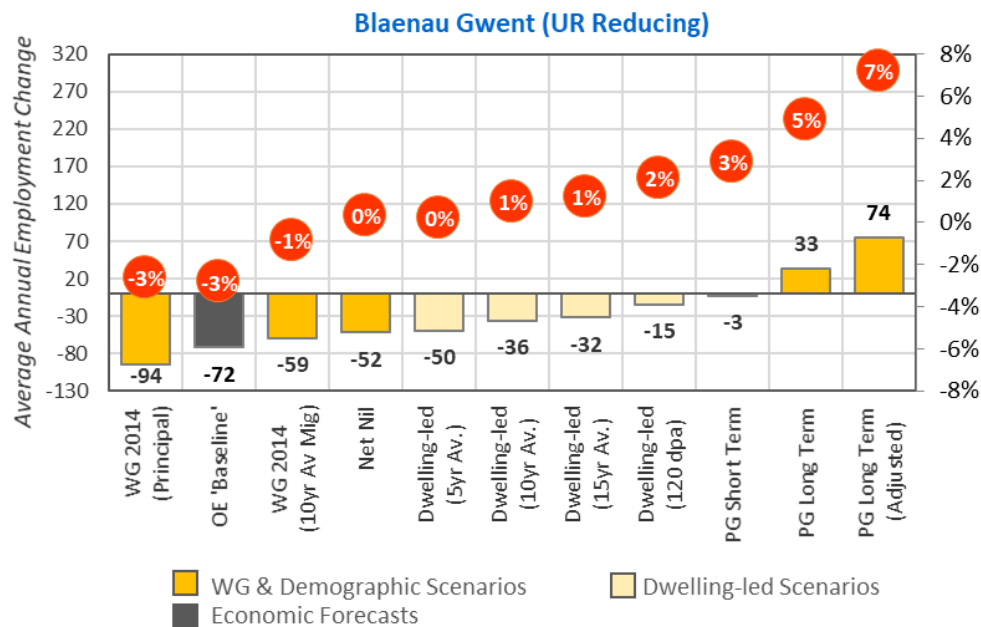


Figure 2: Blaenau Gwent – population and employment growth scenarios (UR reducing)

- 1.14 Thirdly, economic activity rates are allowed to achieve the Welsh average by 2033 (including OBR adjustments), with a reducing unemployment rate and an unchanged commuting balance. Average annual employment growth rises further as a result (Figure 3).

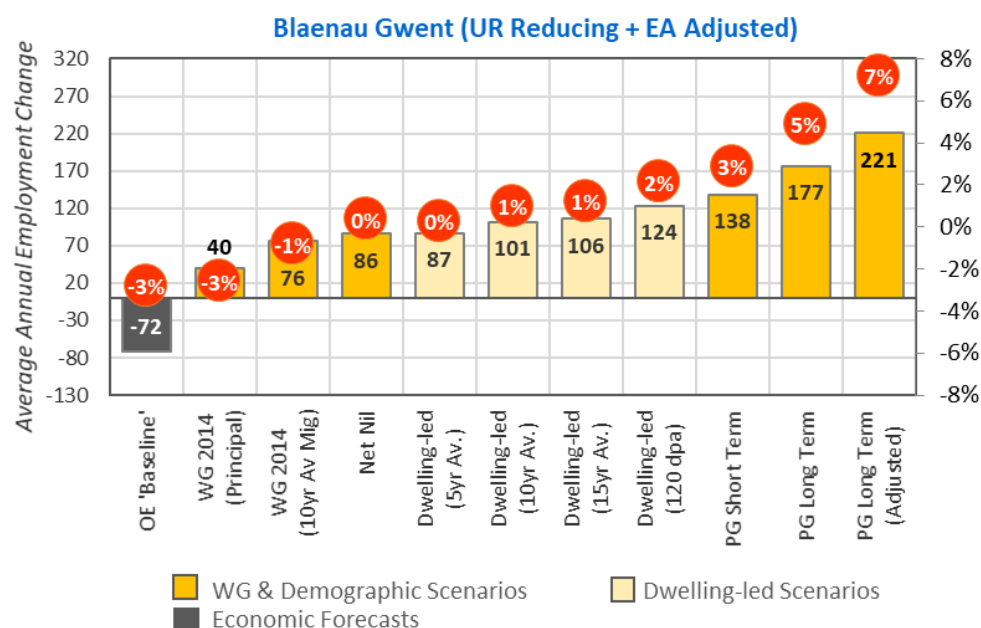


Figure 3: Blaenau Gwent – population and employment growth scenarios (UR reducing + EA Adjusted)

- 1.15 Finally, all the above adjustments are made (reducing unemployment, adjusted economic activity rates returning to the Welsh average) plus the commuting ratio is allowed to reduce from its 2011 Census level (1.28) to the 2001 Census value of 1.20 by the end of the forecast period. This results in a further increase in the average annual employment growth (Figure 4).

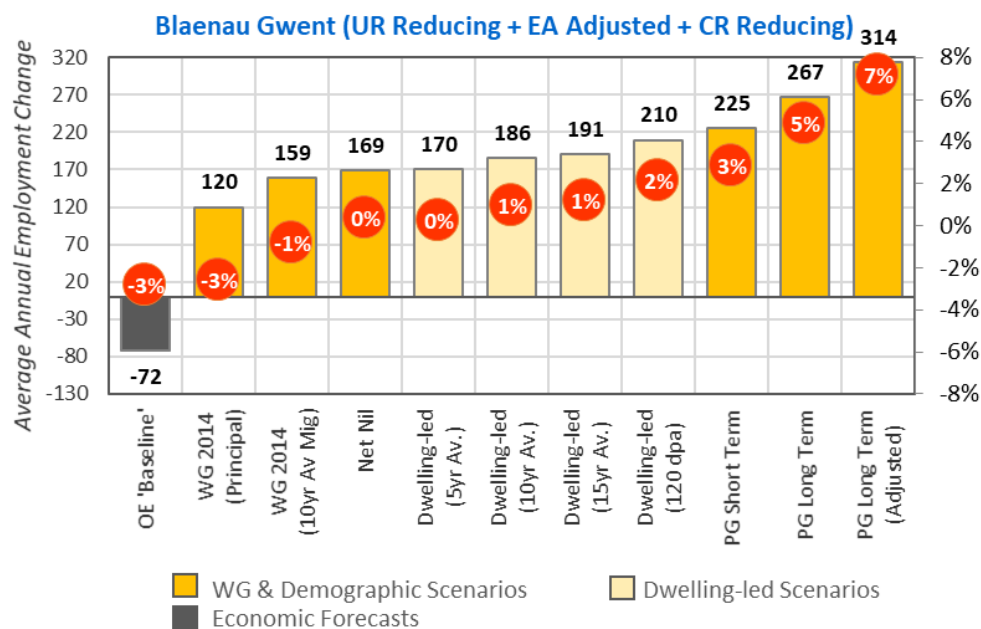


Figure 4: Blaenau Gwent – population and employment growth scenarios (UR reducing + EA adjusted + CR reducing)

Conclusion

- 1.16 These four sets of scenario outcomes indicate how the latest Oxford Economics forecast (OE 'Baseline') compares to growth scenarios which consider higher population growth (driven by higher net in-migration), higher rates of employment (higher economic activity rates and lower unemployment) and a lower commuting ratio, which reduces the balance of out-commuting. The evidence is presented here to inform Blaenau Gwent's LDP process in the context of prevailing demographic trends and emerging economic opportunities.
- 1.17 Modelling the relationship between population, housing and economic change is complex and challenging. The employment growth outcomes illustrated alongside the Oxford Economics statistic above, are not economic forecasts; they are an indication of how population growth might translate to a larger labour force and higher employment growth under different forecasting model assumptions.
- 1.18 Achievement of the higher employment growth outcomes are dependent upon the delivery of economic growth to Blaenau Gwent, supported by housing growth, enabling the maintenance of the younger, labour-force population age-groups.

- 1.19 In terms of dwelling growth outcomes, the latest Oxford Economics employment forecast is estimating a relatively low average annual dwelling-growth, in line with that evident under the WG 2014 (Principal) scenario.
- 1.20 Using the POPGROUP forecasting model, the full range of dwelling growth outcomes (using the WG 2014-based household model assumptions) is presented alongside the **OE Baseline** output (Figure 5).

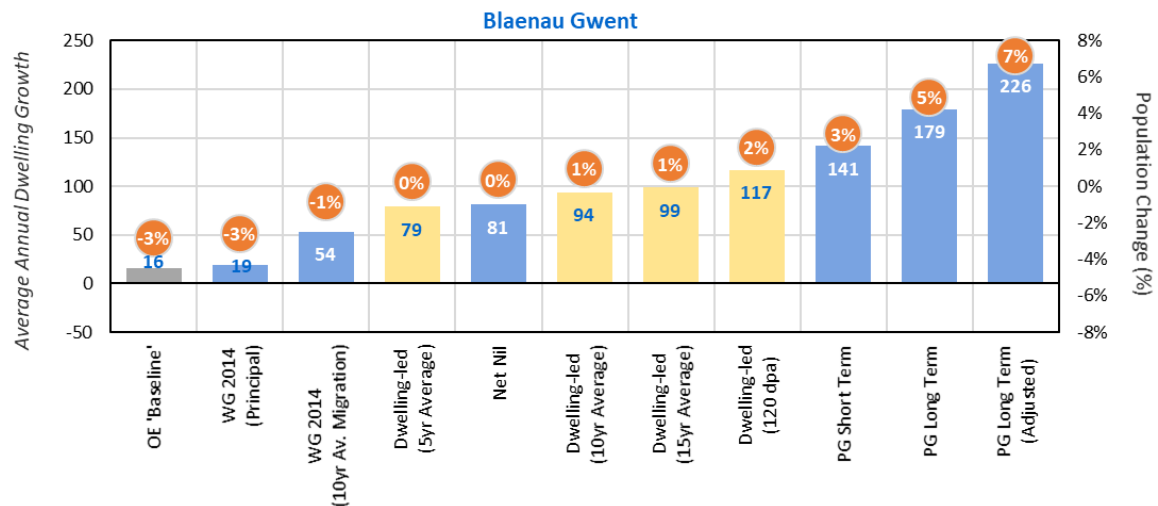


Figure 5: Blaenau Gwent – population and dwelling growth scenarios