EEFM 2012 special run for Luton using alternate population & migration estimates

DRAFT REPORT: May 2014 v2

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Overview

- Oxford Economics have been commissioned by Luton Borough Council to produce a special run of the East of England Forecasting Model (EEFM), which uses alternate population estimates and projections provided by the Council.

- The alternate population data were prepared for the SHMA 2014 by a 9 authority SHMA steering group with outputs for objective housing need and population projections for Luton. These were agreed by the 9 authorities via a member workshop on the 21st of May 2014.

- Throughout the remainder of this document, data supplied by the Council refers to the estimates agreed for the SHMA 2014.

- The reason for this analysis is that the Council does not concur with the 2001 Census population estimates, believing that there was a significant undercount of usually resident population estimates. Low response rates to the Census are part of the reason for this divergence from reality.

Overview (continued)

- In addition, the Council believes that since the 2001 Census, shifts in ethnic proportions (particularly from the EU) mean that the ONS mid-year population estimates for Luton - which in themselves are consistent with the 2001 Census and which are used in the EEFM - no longer provide a realistic picture of the demographic profile of the Borough.
- The following report provides some headline comparisons for the Luton and Central Bedfordshire economies between ONS mid-year population estimates, used within the EEFM, and the data provided by the Council. All analysis is conducted from 2002 onwards which is the first year of data provided by the Council.
- It draws out comparisons between the EEFM baseline and the 'special run' baseline both historically and over the future.
- A full dataset for has been provided to the Council alongside this report.
- For further details of UK and regional assumptions which underpin the forecasts, please see the EEFM main report.

Assumptions undertaken in this analysis

Baseline assumptions

- The key changes which Oxford Economics have been asked to make have been to simply use the Council's own estimates of population and migration for Luton and Central Bedfordshire in this 'special run' of the 2012 EEFM Model.
- Population (total, working age, young and elderly) has been adjusted over the period 2002-10 using the Council's own data for Luton. Migration and natural increase estimates during the same period have also been used in this analysis.
- Population projections (total, working age, young and elderly) have been adjusted over the period 2011-31 using the data produced for the SHMA 2014 for Luton and Central Bedfordshire. Migration and natural increase estimates during the same period have also been used in this analysis.
- Since no other alternative data has been provided, Oxford Economics have retained all other indicators as per the existing data sources used in the 2012 EEFM model. For example, workplace based employment estimates are still derived from BRES data, unemployment estimates are still derived from Claimant Count, etc.
- It is worth noting, that resident employment levels continue to be adjusted to 2001 Census estimates, despite the Council's reservations around the accuracy of the 2001 Census population data. Resident employment levels are estimated by taking LFS employment rates (adjusted to the Census in 2001) and applying this to the population of all people aged 16-74 (for which we have an alternative estimate from the Council).

Comparing the outlooks: Luton

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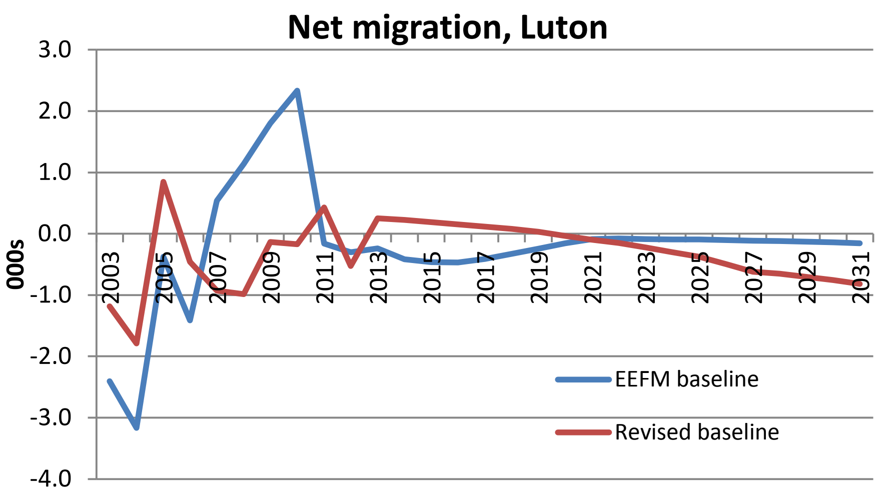
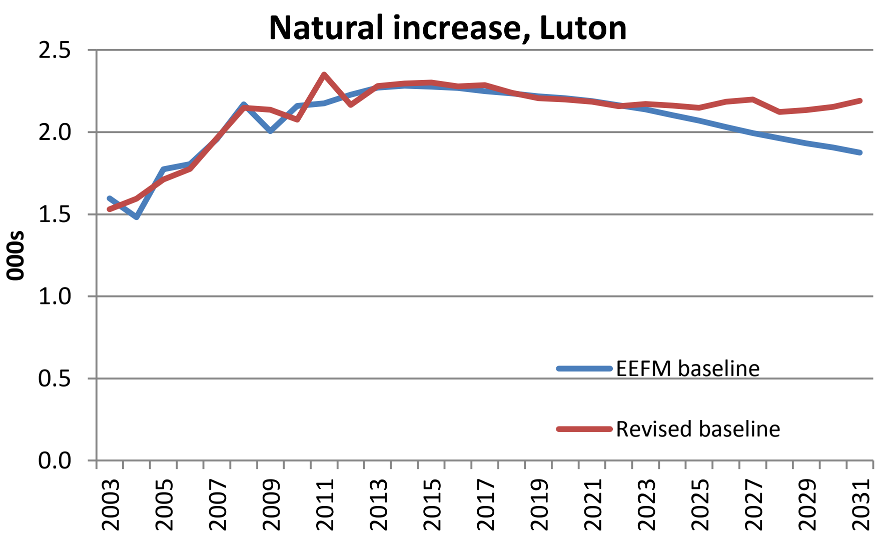
Demographic impacts – migration & natural increase



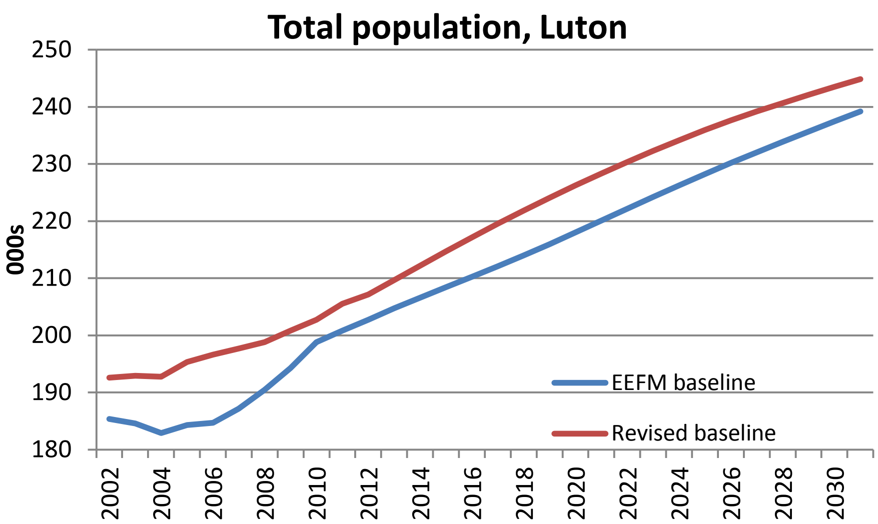


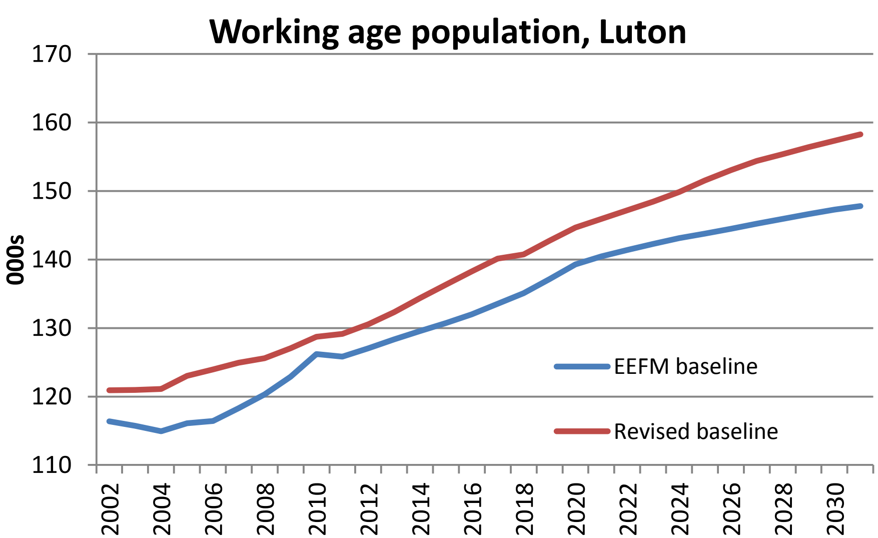
- Over the period 2002-10, the Council's estimates of net migration were weaker than ONS estimates. However, the natural increase estimates were broadly consistent with the ONS estimates.

- The net migration projections provided by the Council are more positive than the EEFM baseline in the short term, but are weaker in from 2021.

- Over the short to medium term, the projections of natural population increase provided by the Council are similar to those produced by the ONS which are used in the EEFM baseline. In the long term, the natural increase is projected to remain broadly flat, slightly above expectation in the EEFM baseline.

Demographic impacts – population



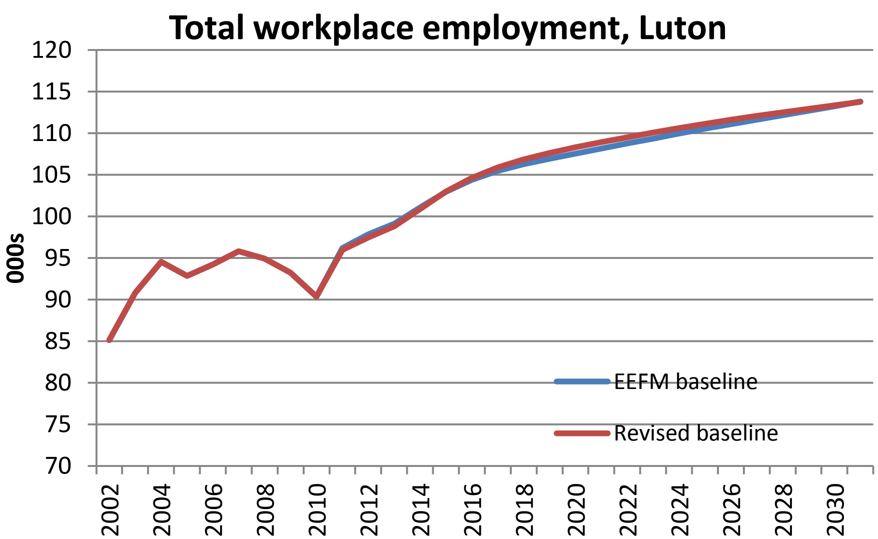


- The key factor which underpins this analysis is that total population in Luton was higher than estimated in the 2001 Census. Since then, the Council has produced its own estimates of population which have been consistently higher than the ONS mid-year population estimates, which in themselves are aligned with the 2001 Census.

- By 2011, the Council estimates that the total level of population in Luton was 205,500 people, some 4,700 people higher than the ONS mid-year estimate.

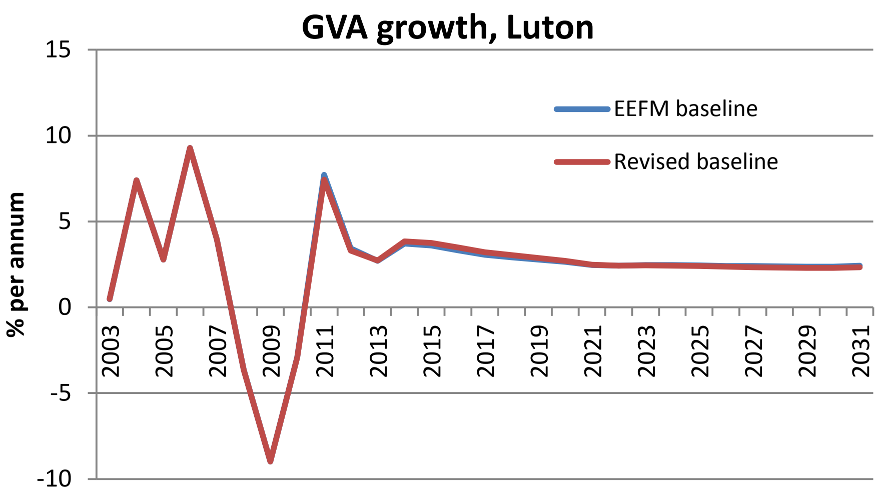
- By 2031, the population projections supplied by the Council suggest total population will be higher than the EEFM baseline by almost 6,000 people. The projections provided imply there will be 10,500 additional people of working age.

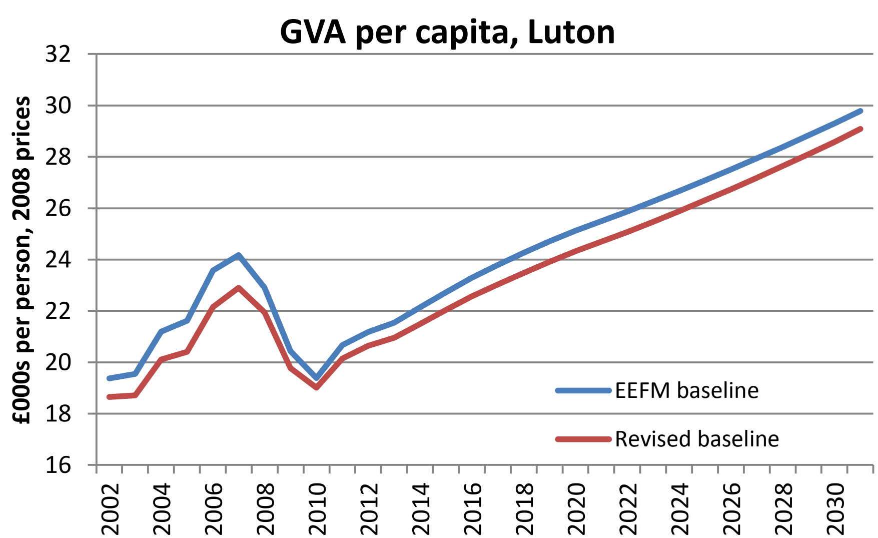
Labour market impacts – workplace employment



- As no alternative employment data has been provided by the Council, Oxford Economics have assumed that jobs levels are historically the same as the EEFM baseline.
- Therefore, workplace based jobs estimates are derived from data published in the BRES.
- By 2021, employment is forecast to rise by 13,000, almost 800 more than in the EEFM baseline, supported by the stronger population growth in the medium term. However, the margin between the 2 forecast bases diminishes over time as the revised population projection moves towards the baseline level.
- Subsequently, we forecast jobs growth of 17,800 additional jobs over the period 2011-31, compared with 17,600 jobs estimated in the EEFM baseline.

Economic impacts – GVA growth





- Since there is no published data for GVA for local authorities, this is estimated by Oxford Economics. These estimates are based upon local labour market changes by sector and in the wider regional sectoral growth patterns.
- As employment growth has remained relatively similar to the EEFM baseline, the overall impact on GVA is muted between the 2 model runs. Average annual GVA growth is forecast at 2.7% between 2011-31 in both models.
- GVA per capita in Luton is forecast to rise to £29,800 per person, in 2008 constant prices. This compares with £29,100 per person in the EEFM baseline.

Comparing the outlooks: Central Bedfordshire

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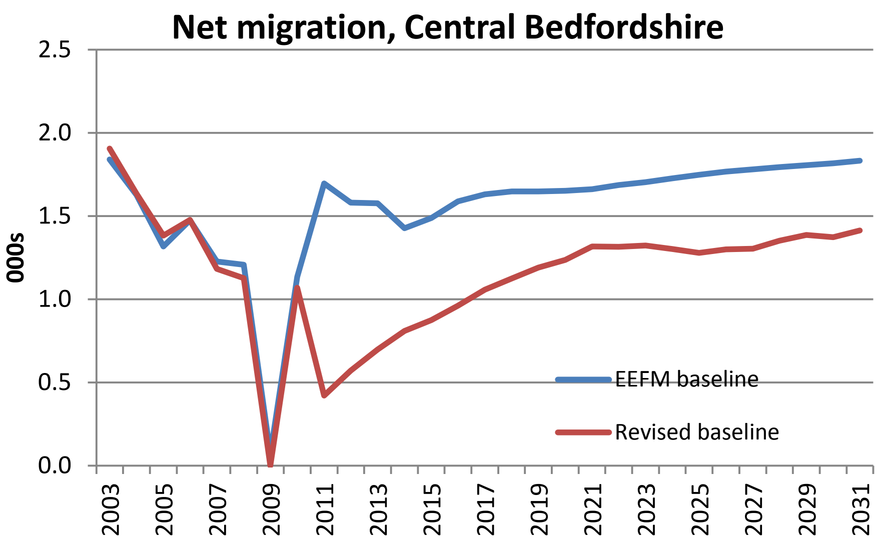
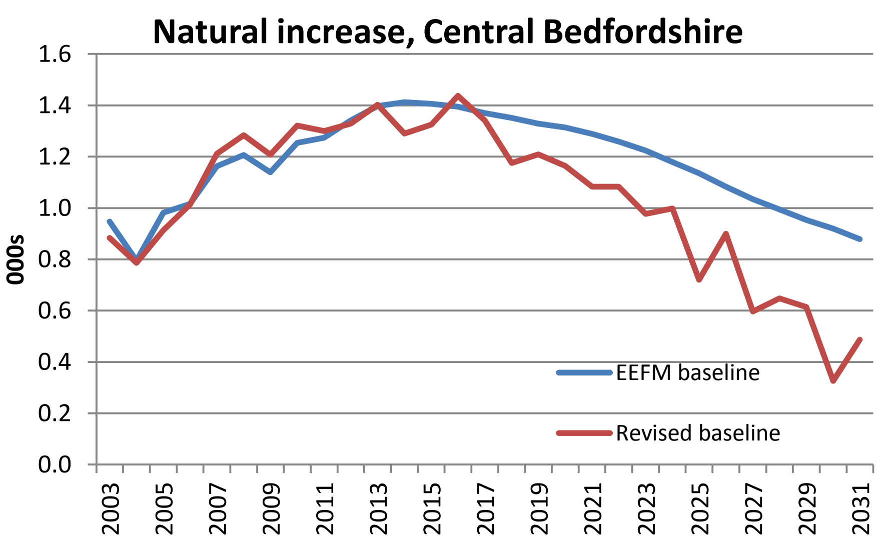
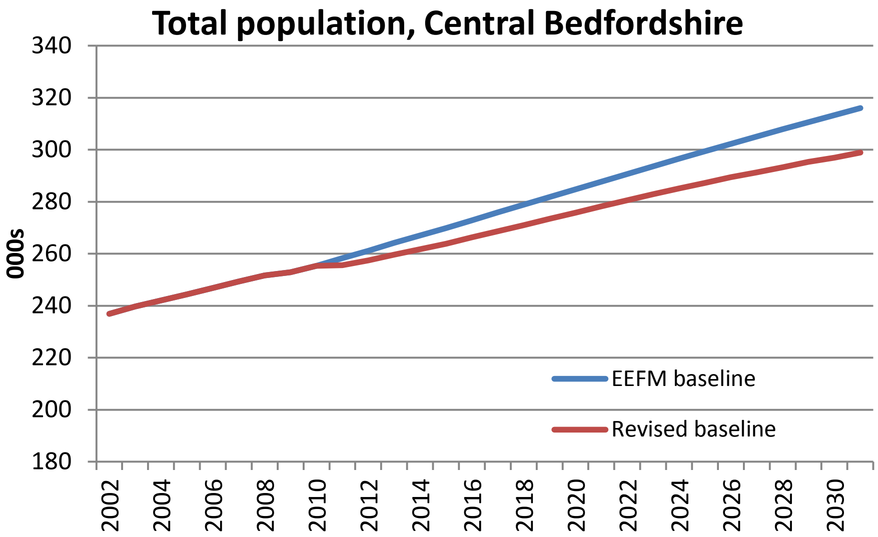
Demographic impacts – migration & natural increase

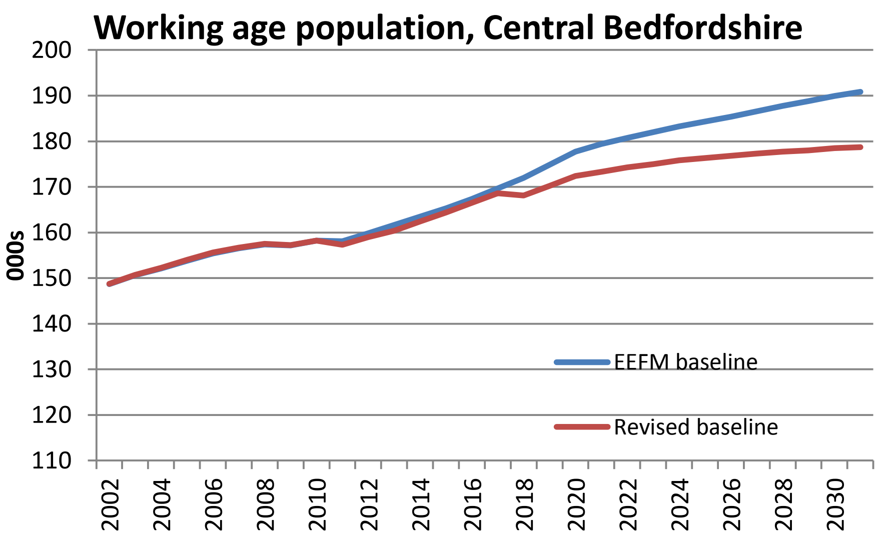




- The net migration projections for Central Bedfordshire provided by the Council are weaker than the EEFM baseline over the full forecast horizon.
- Over the short term, the projections of natural population increase provided by the Council are similar to those produced by the ONS which are used in the EEFM baseline.
- In the long term, the natural increase is projected to be weaker than in the EEFM baseline.

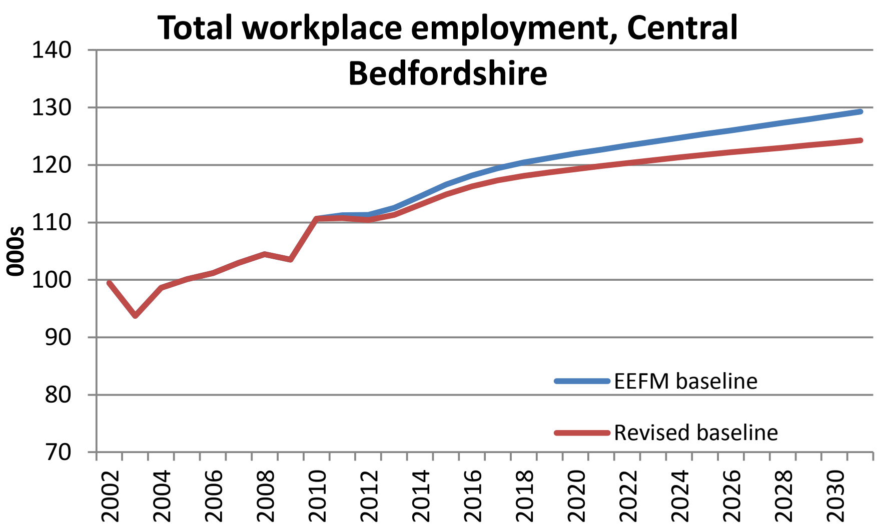
Demographic impacts – population





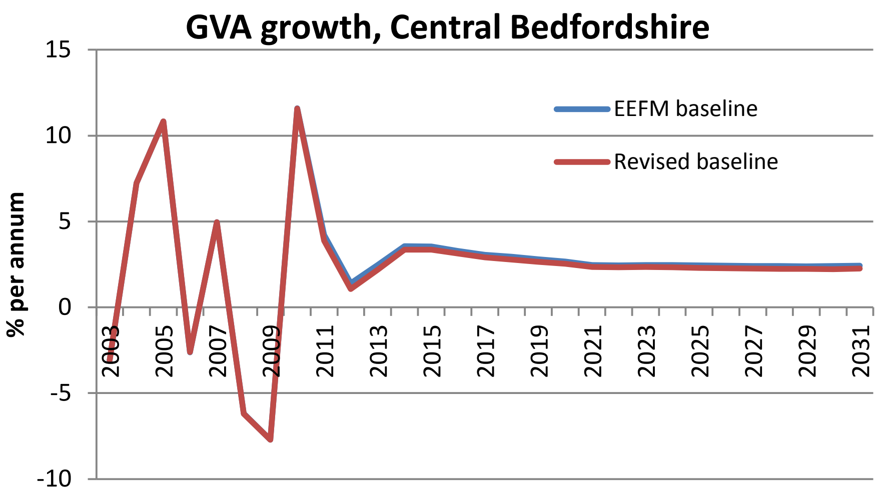
- The combination of weaker projections for natural change and net migration result in lower population across the forecast horizon.
- By 2031, the Council estimates that the total level of population in Central Bedfordshire will be 298,900 people, which is 17,200 people lower than the EEFM projections.
- The projections provided by the Council also suggest a weaker working age population, which is expected to be 12,200 lower than the EEFM baseline by 2031.

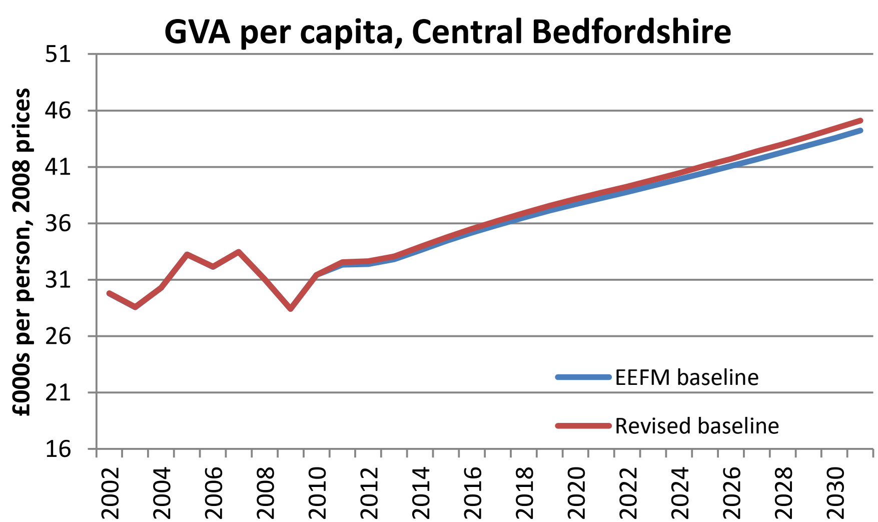
Labour market impacts – workplace employment



- The employment outlook for Central Bedfordshire is also forecast to be weaker over the forecast period.
- The number of new jobs is forecast to be 13,500 over the period 2011-31, compared with 18,000 jobs estimated in the EEFM baseline.
- Between 2011-31, employment is forecast to increase on average by 0.6% per annum, compared with 0.8% per annum in the EEFM baseline.

Economic impacts – GVA growth





- Since there is no published data for GVA for local authorities, this is estimated by Oxford Economics. These estimates are based upon local labour market changes by sector and in the wider regional sectoral growth patterns.
- Average annual GVA growth is forecast to be weaker than in the EEFM, at 2.5% between 2011-31 in both models.
- By 2031, GVA in Central Bedfordshire is forecast to be almost £251m (in 2008 constant prices) lower than in the EEFM baseline.

Sectoral comparison

Sectoral composition

Employment structure: 2010	East	Luton		Central Bedfordshire	
	Share of total (%)	Share of total (%)	LQ (East=1)	Share of total (%)	LQ (East=1)
Agriculture	1.4	0.0	0.0	1.2	0.8
Mining and Quarrying	0.1	0.0	0.0	0.1	1.4
Food Manufacturing	1.0	0.6	0.5	1.1	1.1
General Manufacturing	2.4	3.7	1.5	2.5	1.0
Chemicals	1.1	0.5	0.4	1.4	1.4
Pharma	0.2	0.1	0.2	0.0	0.1
Metals	1.0	1.1	1.0	1.5	1.4
Transport	1.5	2.7	1.9	1.2	0.8
Electronics	1.1	1.6	1.5	0.7	0.6
Utilities	0.5	0.3	0.6	0.1	0.3
Waste and remediation	0.4	0.2	0.6	0.3	0.7
Construction	8.0	5.2	0.6	9.2	1.2
Wholesale	6.6	7.8	1.2	6.5	1.0
Retail	10.9	7.7	0.7	9.0	0.8
Land Transport	4.5	5.2	1.2	5.0	1.1
Water and air transport	0.2	2.6	13.8	0.0	0.0
Hotels and restaurants	5.3	4.7	0.9	5.4	1.0
Publishing and broadcasting	0.7	0.1	0.2	0.5	0.7
Telecoms	0.6	0.4	0.6	0.3	0.6
Computer related activity	1.5	1.7	1.1	1.5	1.0
Finance	2.5	1.3	0.5	0.9	0.4
Real Estate	1.9	1.8	0.9	2.3	1.2
Professional services	7.1	5.3	0.7	7.9	1.1
R+D	0.9	0.1	0.1	0.4	0.4
Business services	5.3	11.2	2.1	3.9	0.7
Employment activities	2.9	5.7	2.0	1.2	0.4
Public admin (incl. forces)	4.5	4.5	1.0	6.9	1.5
Education	9.4	9.2	1.0	14.3	1.5
Health and social care	11.3	11.0	1.0	7.0	0.6
Arts and entertainment	2.5	1.9	0.8	3.2	1.3
Other services	3.0	2.1	0.7	4.4	1.5

The location quotient (LQ) for each sector is calculated as its proportion of total employment relative to the proportion of the East of England. An LQ above 1 highlights a relatively high concentration of the sector in comparison to the region. An LQ below 1 signifies a relatively low concentration of the sector.

- Luton has a diverse employment structure, which is focused around a number of core specialisms (highlighted in the table where the LQ>1.5).
- Luton has a particularly high concentration of employment in the air transport sector, owing to the airport. It also has high concentrations in a number of manufacturing and business service sectors.
- Central Bedfordshire's labour market is also sectorally diverse.
- Central Bedfordshire has particularly high concentrations of employment in public administration, education and other services. It also has high presence of manufacturing of chemicals and metals.

Sectoral growth profile

Employment change, 2011-31 (000s)	Luton		Central Bedfordshire	
	EEFM baseline	Revised baseline	EEFM baseline	Revised baseline
Agriculture	0.0	0.0	-0.4	-0.4
Mining and Quarrying	0.0	0.0	0.0	0.0
Food Manufacturing	-0.2	-0.2	-0.3	-0.3
General Manufacturing	-1.1	-1.1	-0.9	-0.9
Chemicals	-0.2	-0.2	-0.6	-0.6
Pharma	0.0	0.0	0.0	0.0
Metals	-0.3	-0.3	-0.6	-0.6
Transport	-1.2	-1.2	-0.5	-0.5
Electronics	-0.7	-0.7	-0.3	-0.3
Utilities	-0.1	-0.1	0.0	0.0
Waste and remediation	0.0	0.0	0.0	0.0
Construction	1.8	1.8	3.4	2.9
Wholesale	1.0	1.0	1.2	0.9
Retail	1.6	1.7	1.9	1.4
Land Transport	2.7	2.7	0.5	0.3
Water and air transport	0.5	0.5	0.0	0.0
Hotels and restaurants	0.8	0.8	1.2	0.9
Publishing and broadcasting	0.0	0.0	0.0	0.0
Telecoms	0.0	0.0	0.0	0.0
Computer related activity	0.0	0.0	0.0	0.0
Finance	0.2	0.2	0.1	0.0
Real Estate	1.0	1.0	1.1	1.0
Professional services	3.2	3.2	5.4	4.9
R+D	0.0	0.0	0.0	0.0
Business services	4.2	4.2	1.9	1.6
Employment activities	1.4	1.4	0.6	0.5
Public admin (incl. forces)	-0.3	-0.3	-0.2	-0.4
Education	0.1	0.1	0.6	-0.1
Health and care	1.7	1.8	1.5	1.1
Arts and entertainment	1.1	1.1	1.9	1.6
Other services	0.3	0.3	0.5	0.5
Total	**17.6**	**17.8**	**18.0**	**13.5**

- As overall jobs growth remains the similar for Luton between both runs of the EEFM, the key growth sectors in the outlook for Luton are also similar.
- Luton’s key drivers of job creation are forecast to be business and professional services.
- The impact on Central Bedfordshire’s employment growth was more pronounced in the revised forecast.
- In particular, sectors which support Central Bedfordshire's population are likely to impacted to a higher extent, including public services. Sectors driven by the local employment levels will also suffer more, such as retail.

Conclusions

Conclusions

- The key focus of this study was to replace historic ONS population data for Luton with estimates provided by Luton Borough Council from the SHMA 2014 . Population projections produced for the SHMA 2014 were also adopted for Luton and Central Bedfordshire.

- Under the SHMA 2014 assumptions, Luton's population was 205,500 in 2011 (4,700 higher than in the EEFM baseline) and is projected to reach almost 245,000 by 2031 (approximately 5,700 higher than the EEFM baseline). As much of the difference in the two population series exists historically (due to the perceived miscalculation of population since the 2001 Census), the forecasts of key economic variables remain broadly unchanged – under the SHMA 2014 assumptions:
  - The projected rise in population between 2011-31 creates demand for an additional 18,700 dwellings.
  - Employment is projected to rise by 17,800 jobs by 2031.
  - GVA is forecast to rise at an average rate of 2.7% per annum over the period 2011-31.

- Under the SHMA 2014 assumptions, Central Bedfordshire's population is projected to be significantly weaker – it will reach almost 299,000 by 2031, which is more than 17,000 lower than the EEFM baseline. The associated demand for dwellings from the additional population is for 23,400 extra dwellings, which is 6,000 fewer than in the EEFM baseline. Job creation is also set to be weaker, with the number of new jobs forecast to be 13,500 additional jobs over the period 2011-31, compared with 18,000 jobs estimated in the EEFM baseline. Sectors interconnected with local area population will be particularly impacted, including public services and retail.

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