

North West RSS
Examination in Public
Technical Seminar -
Employment

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Scope of Presentation

1. Purpose and status of the Scenarios
2. Short description of the Scenarios
3. Technical assumptions

Purpose of the Scenarios

- > Developed to help explore the key issues facing the region in relation to the Regional Economic Strategy (RES)
- > Designed to exemplify different 20-year growth paths and types of growth both sectorally and spatially
- > Based on developing different sets of assumptions about economic performance and using Experian regional economic long term forecasting model

A Health Warning...

- > Longer term economic forecasting is fraught with difficulties at a regional, never mind sub-regional level
- > Capturing the linkages between employment, demographics and wealth creation is challenging...
- > ...all scenarios based on same assumed population/working age population growth
- > Sub-regional forecasts struggle to capture travel to work flows
- > The scenarios are not forecasts as to what will happen
- > The work did not attach different weights or probabilities to the likelihood of any of the scenarios

A. "Longer Term Trends Continue" (1)

- > **Rationale:** projecting forward base regional long term relative performance
- > Regional forecasts:
 - > Based on the Experian sub-regional forecasts Winter 2004
 - > Starting point is Experian's UK forecasts of sectoral Gross Value Added, employment and population
 - > Future regional performance sector by sector driven by NW industrial structure and relative economic performance over last 15-20 year and expected population growth (migration assumption important here)

A. “Longer Term Trends Continue” (2)

- > Sub-Regional forecasts – all constrained to overall regional figures
- > Based on relative performance on 5 factors:
 1. Industrial structure – (share of growth or decline sectors)
 2. Skills level (proxied by NVQs held and GCSE attainment)
 3. Access to airport connectivity
 4. Growth in working age population [driven by and broadly consistent with ONS sub-national projections]
 5. Working age population composition (estimated labour participation/economic activity rate calculated by gender and age band and ethnicity)

Sub-Regional Position – Long Term Factors

Sub-Region	Change in Working Age Population (% pa 2005-25)	Sub-Regional Position out of 67 UK sub-regions			
		Industrial Structure	Skills Base	Access to Airports	Population Composition
Cheshire and Warrington	0.0	14	20	43	36
Cumbria	-0.2	57	40	48	17
Greater Manchester	0.0	38	41	42	63
Greater Merseyside	-0.4	58	46	45	34
Lancashire	-0.1	25	45	47	55

Source: Experian Regional Planning Service, November 2004

B. "Recent Employment Success" (1)

- > **Rationale:** aimed at capturing the success of most parts of region in employment creation 1999(or 1998) to 2004 (or 2003)
- > Assumes the economic performance in this recent period continues into the future:
 - > Strong employment growth
 - > Weaker productivity growth
- > NW's employment rate assumed to continue to catch up in relative terms with UK over next 20 years as it had over last 5 years (based on combination of LFS and ABI data)
 - > Annual Business Inquiry employment data period 1998-2003
 - > Labour Force Survey employment data 1998-2004

B. "Recent Employment Success" (2)

- > At a sub-regional level key points are:
 - > Same methodology and data used as at regional level to assess relative employment performance and so relative growth in employment rate and employment to 2025
 - > No changes made to industrial structure – extra employment growth distributed pro-rata to longer term trends assumed future industrial structure
- > Productivity growth rate by sector as in longer term trends scenario
- > Under this scenario the Experian longer term sub-regional success factors do not strongly influence employment growth sub-regionally

C. "Regional Productivity Transformation" (1)

- > **Rationale:** development of the region's economy in line with the spirit of the Government's PSA regional economic performance target
- > Combination of both improved relative employment AND improved relative productivity growth
- > How does this happen?
 - > Regional **employment rate** grows faster than UK rate to exceed the UK rate by 2025 (but still well short of Greater South East rate)
 - > **Share** of region's employment in higher value added service sectors (financial and business services) reaches the UK average
 - > consequent lowering of lower productivity employment sectors (service and manufacturing)
 - > Boost **productivity rates** to best performing regions outside Greater South East in transport, communications, finance and business services by 2025

C. "Regional Productivity Transformation" (2)

- > Sub-regional changes:
 - > Are all constrained by regional changes
 - > Changes in employment and productivity are applied to longer term trends sector forecasts in employment at sub-regional level
 - > So the longer term sub-regional success drivers continue to apply in terms of relative performance within the region

The scenarios – employment change 2005 to 2025

	2005 Employment	Longer Term Trends		Recent Employment Success		Transformational	
North West	3,360	32	1%	270	8%	271	8%
Cheshire & Warrington	489	6	1%	34	7%	46	9%
Cumbria	230	-26	-11%	-8	-4%	-16	-7%
Greater Manchester	1,291	60	5%	138	11%	162	13%
Greater Merseyside	655	-23	-3%	55	8%	19	3%
Lancashire	696	14	2%	51	7%	60	9%

Source: Experian

The scenarios – employment rate 2005 to 2025

Area	Longer Term Trends			Recent Employment Success		Transformational	
	2005	2025	% points change	2025	% points change	2025	% points change
North West	78%	77%	-1%	82%	5%	83%	5%
Cheshire &	84%	82%	-2%	87%	3%	89%	5%
Cumbria	73%	64%	-9%	69%	-4%	67%	-6%
Greater Manchester	78%	79%	1%	84%	5%	85%	7%
Lancashire	81%	80%	-1%	84%	3%	85%	4%
Greater Merseyside	72%	72%	0%	82%	9%	78%	5%

Source: Experian

Note: Full-time equivalent jobs as % of those aged 16-64 (men); 16-59 (women). UK= c.80%, 2005; 81% 2025