

## **GLA Economics' London Employment Projections. Panel Note for the Examination in Public into the Draft Alterations to the London Plan.**

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### **1. Introduction**

GLA Economics produces, or has produced for it, employment projections at the London level for the whole economy and broken down into 12 broad economic sectors, and for the whole economy for each of London's 33 boroughs. The London wide projections are produced for GLA Economics by Volterra Consulting. The details of these projections are set out in GLA Economics Working Paper 20<sup>1</sup>.

The borough level projections are generated by combining projections on three bases – historic trends, transport accessibility and business site capacity using a method ('triangulation') developed by GLA Economics. The production of these borough level projections is done internally by GLA Economics. The sum of the borough level projections is constrained to be equal to the London wide projections produced by Volterra Consulting. This ensures consistency between the London wide and borough level projections. The details of the borough level projections are set out in GLA Economics Current Issues Note 13<sup>2</sup>. The triangulation methodology used to produce them is set out in detail in GLA Economics Working Paper 18<sup>3</sup>. Roger Tym and Partners (RTP) take our borough level projections and break these down to 3 broad categories – office, industrial and rest of the economy employment<sup>4</sup>.

Section 2 of this note briefly summarises these employment projections. Section 3 compares the London wide projections against those produced by outside independent forecasters. Section 4 compares the geographical distribution of the projections across London.

### **2. Summary of the London wide and Borough level projections**

Chart 1 below shows total employment in London since 1971. Employment in London was on a downward trend between 1971 and the late 1980s / early 1990s. The timing of the reversal in the underlying trend is complicated by the boom and then bust of the late 1980s and early 1990s. Since the early 1990s, employment in London has been on a generally rising trend. Between 2001 and 2004 employment in London has plateaued due to the cyclical slowdown in the London economy seen over this period. Our data set currently ends in

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<sup>1</sup> B. Spooner and E. Cooper, Volterra Consulting, 'Employment projections for London by sector and borough', GLA Economics Working Paper 20, February 2007.

<sup>2</sup> D. Melville and R. Prothero, 'Updated borough level employment projections to 2026', GLA Economics Current Issues Note 13, February 2007.

<sup>3</sup> D. Melville and M. Theseira, 'Borough employment projections to 2026: The detailed methodology', GLA Economics Working Paper 18, October 2006.

<sup>4</sup> R. Thompson, 'Outer London: Issues for the London Plan', Greater London Authority, May 2007 provides details of these projections.

2004, but data on employment from the Office for National Statistics suggests that employment in London rose in 2005 and 2006. Our projections suggest that employment in London will rise from 4,488,000 in 2006 to 5,499,000 in 2026 – an increase of 1,011,000 over 22 years.

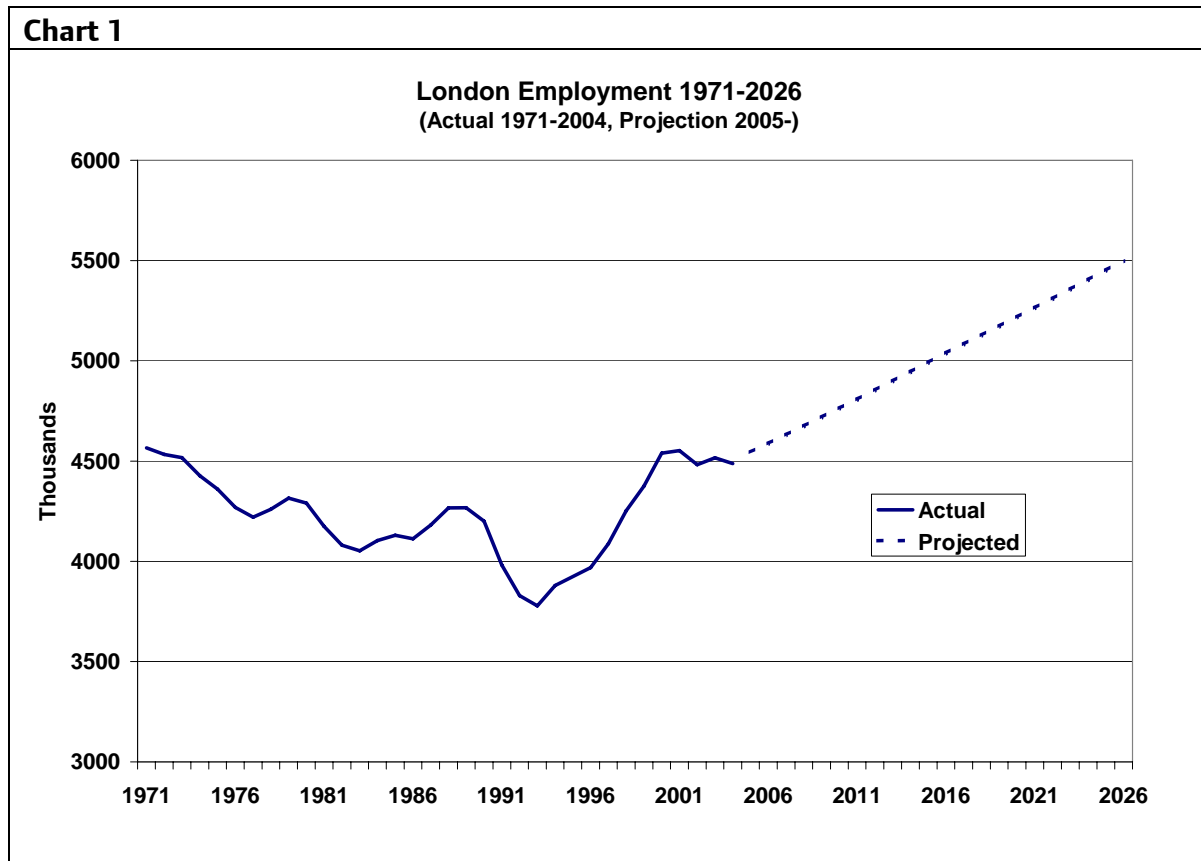
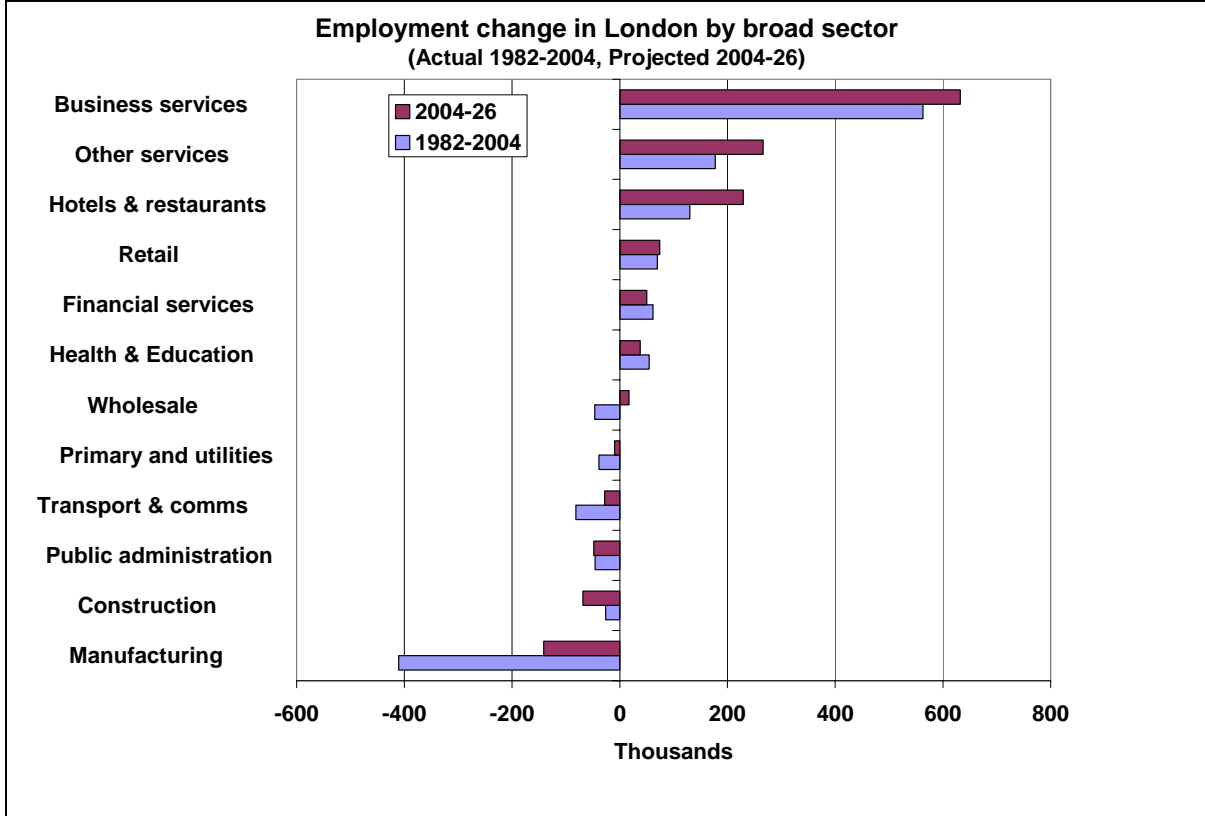


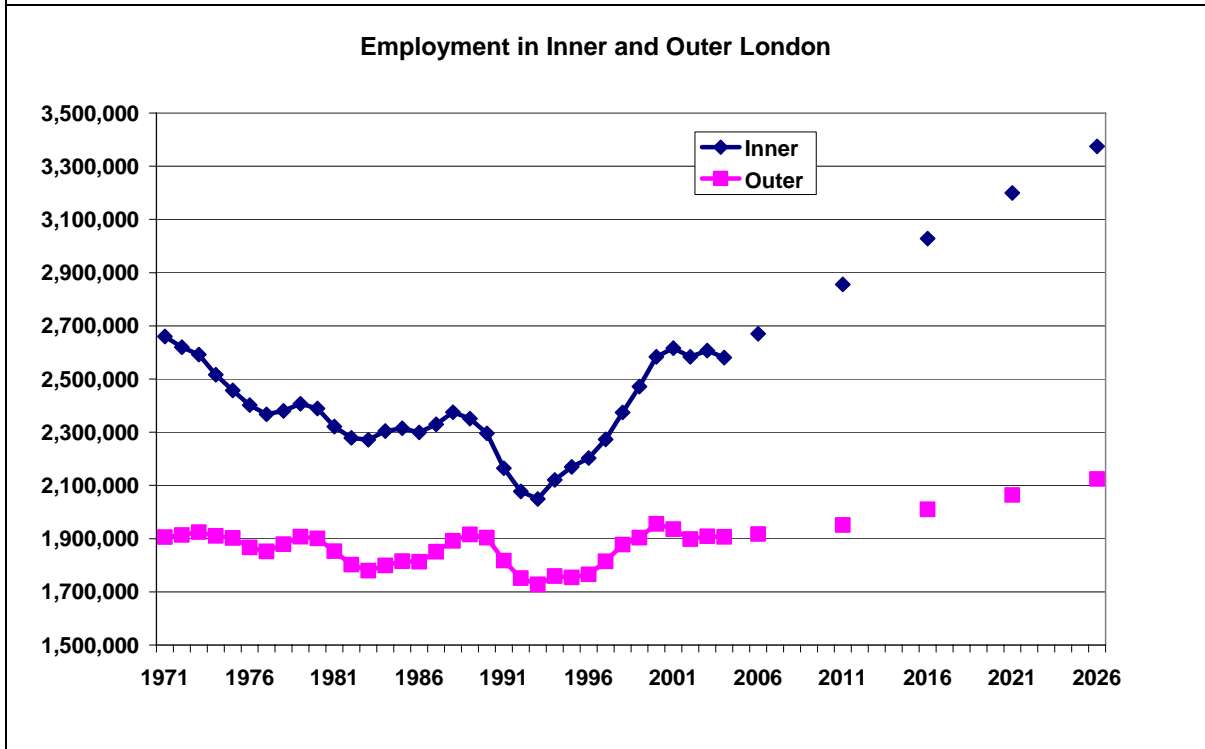
Chart 2 below shows how the sectoral composition of employment in London has changed in the 22 years to 2004 and compares this with the projected growth for 2004-26. In the last two decades London has increasingly become a service-based economy. The 22 years to 2004 have seen significant increases in employment in business services (up 563,000), other services, which have a significant leisure element, (up 177,000) and hotels and restaurants (up 130,000). Over the same period, employment in manufacturing (down 410,000) and construction (down 26,000) declined. A similar pattern is expected for the next two decades. Over the period 2004 to 2026 employment in business services (up 632,000), other services (up 266,000) and hotels and restaurants (up 229,000) are expected to again show substantial increases. Employment in manufacturing (down 141,000) and construction (68,000) are expected to continue to contract over the next two decades.

Chart 3 below shows the actual path of employment in Inner and Outer London from 1971 to 2004 together with projected employment levels in these two parts of London for 2006 to 2026. It is clear that the level of employment has been much more stable in Outer London than in Inner London with less of a tendency to both decline in periods of contraction and increase in periods of expansion than Inner London. In line with recent historic trends employment in Inner London is projected to grow at a faster rate than it is in Outer London.

**Chart 2**



**Chart 3**



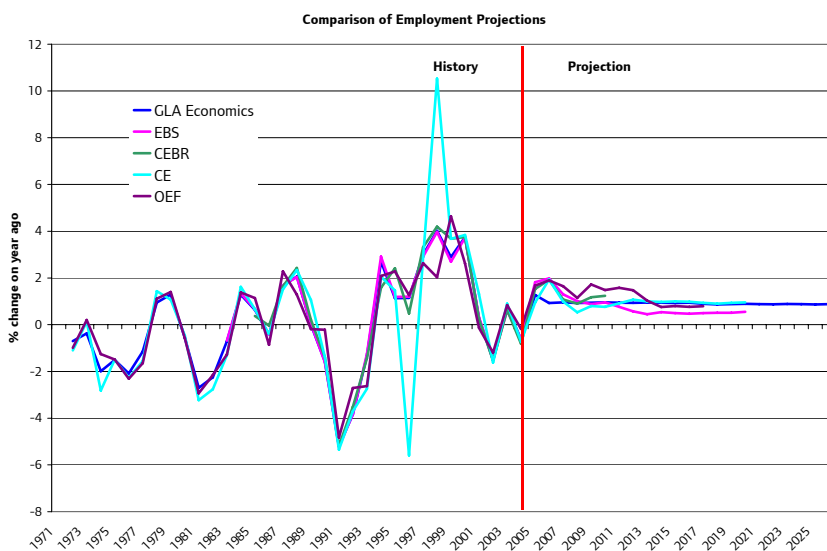
### 3. Comparing the London wide projections against outside independent forecasters

#### A Total employment projections

Charts 4 and 5 compare the GLA Economics' projections with the latest four external forecasts produced by Experian Business Strategies (EBS), Cambridge Econometrics (CE), Oxford Economics (OE) and the Centre for Economic and Business Research (CEBR). It should be noted that the forecasts were all produced at slightly different times: GLA Economics in October 2006 and EBS in October 2006 (for sub-London breakdowns) / May 2007 (for London as a whole), CE, OE and CEBR in February – April 2007.

In summary, both charts show that the GLA Economics forecast (the darker blue line) lies in the middle of the range of forecasts. EBS has employment growth tailing off towards the end of their forecast horizon, but CE and OEF both maintain similar growth rates to GLA Economics. Using outside independent forecasters as a benchmark suggests that our projections are neither overly optimistic nor overly pessimistic.

Chart 4

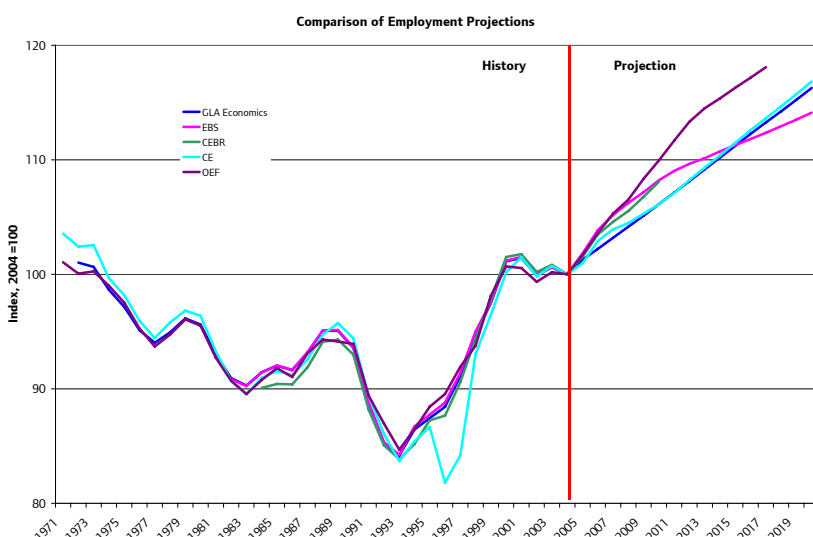


Up to around 2012, the GLA Economics forecast is, if anything, towards the bottom of the range of projections.

Beyond 2012, we are in line with both OE and CE (as far as they go), and slightly above the EBS forecasts.

In terms of annual average projected changes in employment in thousands our projections are in the middle of the pack: OE +62.4, CEBR +60.7, CE +47.5, GLA Economics +46.0 and EBS + 39.8.

Chart 5



This chart indexes the projected *levels* of employment from a common start point (as each institution takes a slightly different view of history, which can in turn effect their forecasts).

Again, GLA Economics' forecast looks to be in the bottom to mid-range of the different projections – and well below OE's very strong forecast.

## B Sectoral breakdowns

Charts 6 to 9 show the sectoral breakdowns of our projections together with those produced by EBS, OE and CE. In all cases, business services are projected to experience the largest change in employment over the various forecast periods, which vary between the forecasting organisations. Other sectors which are generally projected to show substantial increases in employment include health and education and other services.

There are some differences of detail between the four projections, although the overall pattern is not dissimilar. All the forecasters project increases in employment in various parts of the service sector, and no forecaster envisages a resurgence of manufacturing or other industrial activities. The treatment of the construction sector is quite varied. GLA Economics envisage a decline in employment in construction. However, EBS, CE and OE believe that construction employment will increase.

**Chart 6**

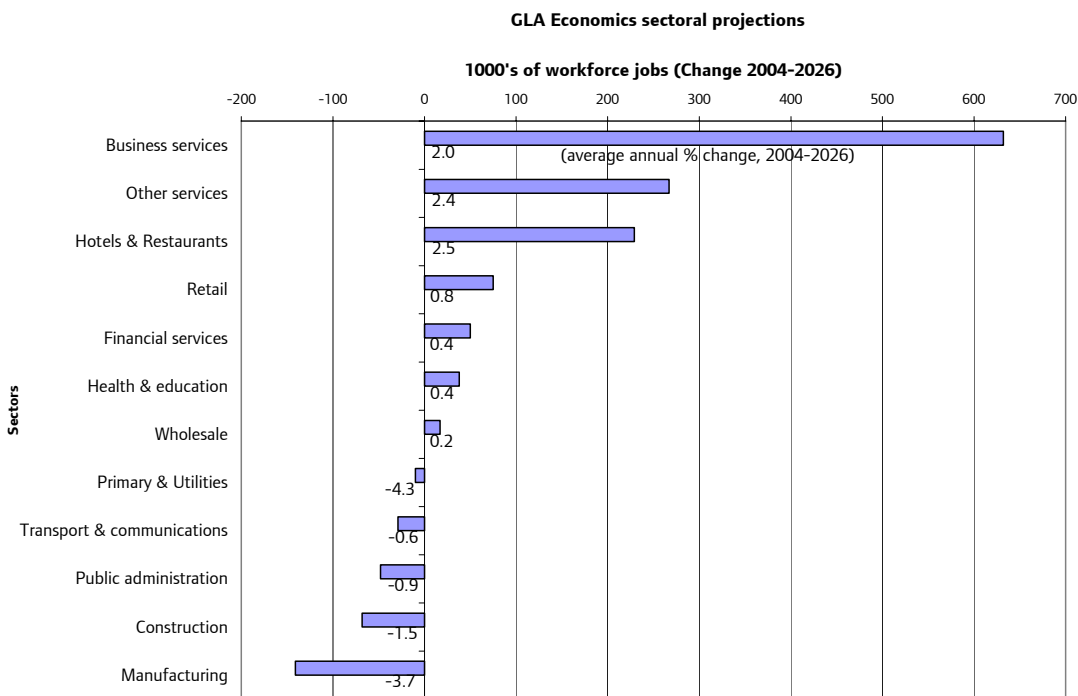


Chart 7

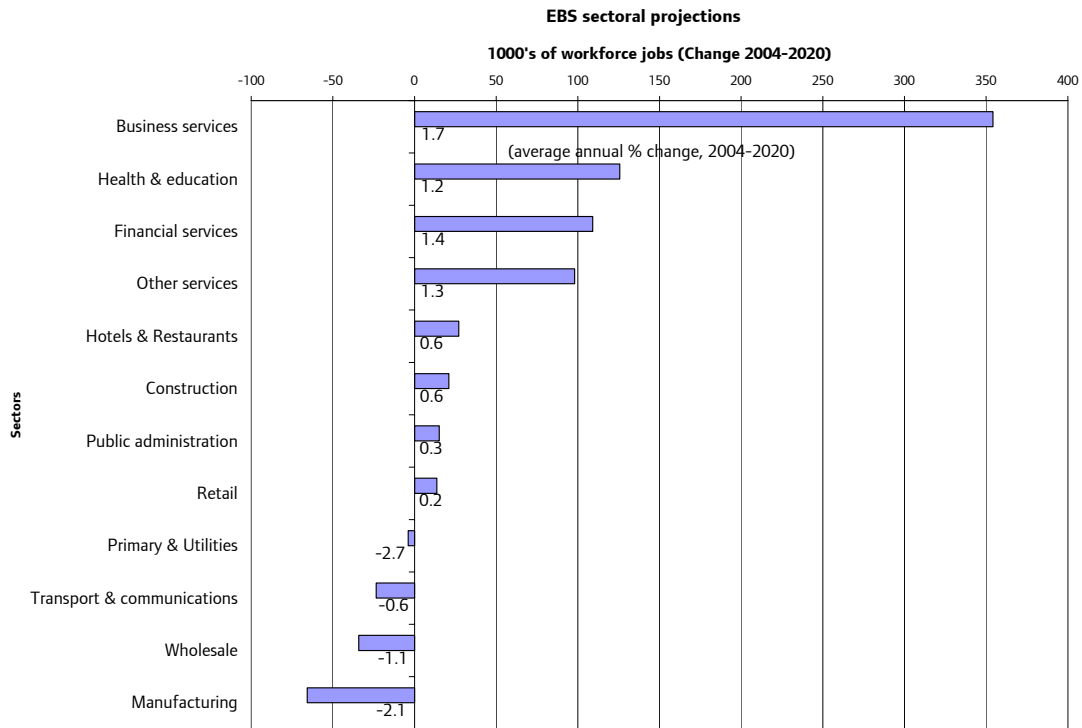


Chart 8

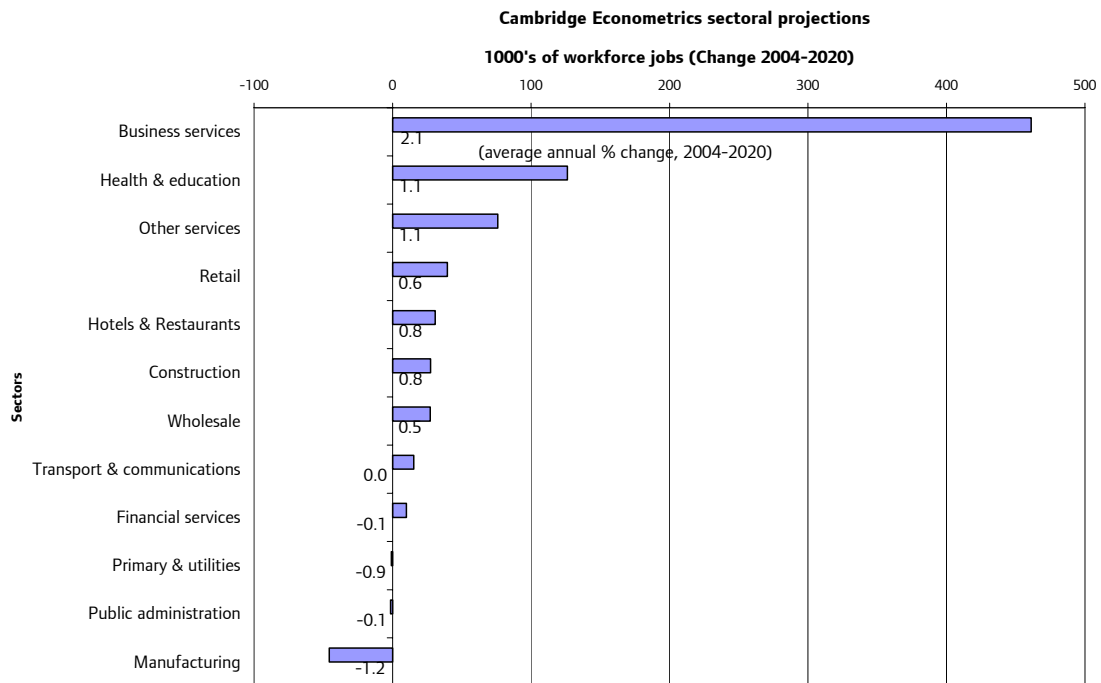
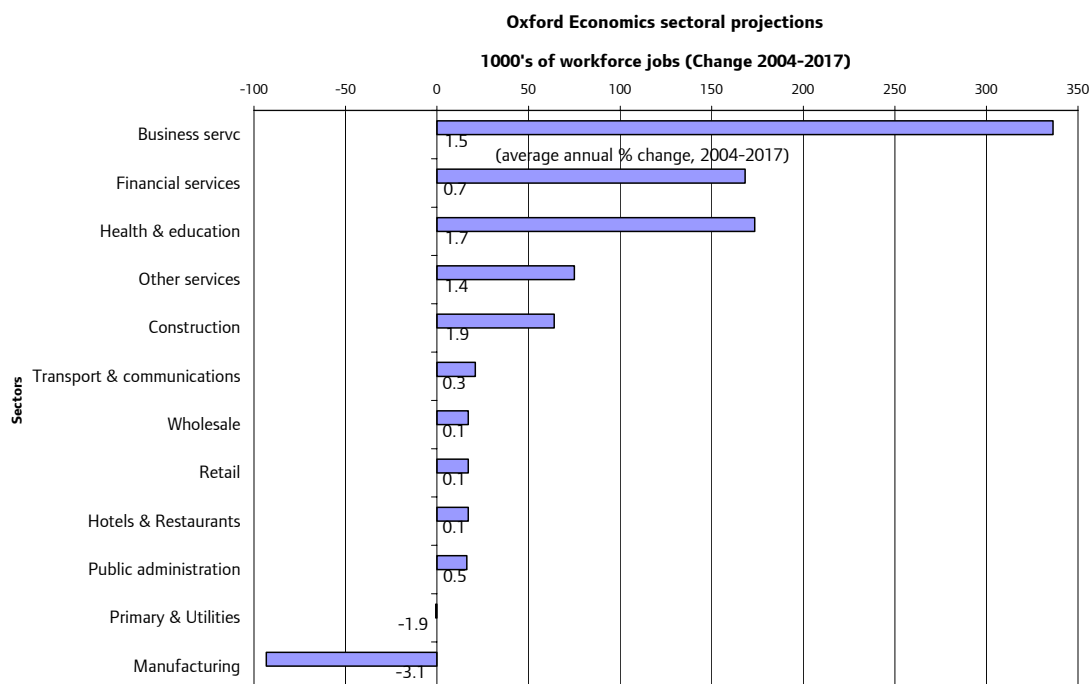


Chart 9



#### 4. Comparing the geographical pattern of the projections across London

Our borough level employment projections can be compared against other outside forecasting organisations. The only other forecaster who does a complete borough breakdown of employment forecasts for London is EBS. OE provide a four-way breakdown of their London forecasts for the boroughs of Westminster, City of London, Tower Hamlets and rest of London only. Hence Charts 10-12 compare our forecasts for Westminster, City of London, and Tower Hamlets against those from OE and EBS, and for the rest of Inner London and Outer London against EBS.

Our projections for the three central boroughs lie in between those of EBS and OE. In line with the rather stronger growth we project for London as a whole compared to EBS our projections for Westminster, City of London, and Tower Hamlets and the rest of Inner London generally lie above those of EBS. Up to 2011, EBS project rather stronger employment growth in Outer London, but after 2011 we project rather stronger growth in this part of London than EBS.

Chart 10

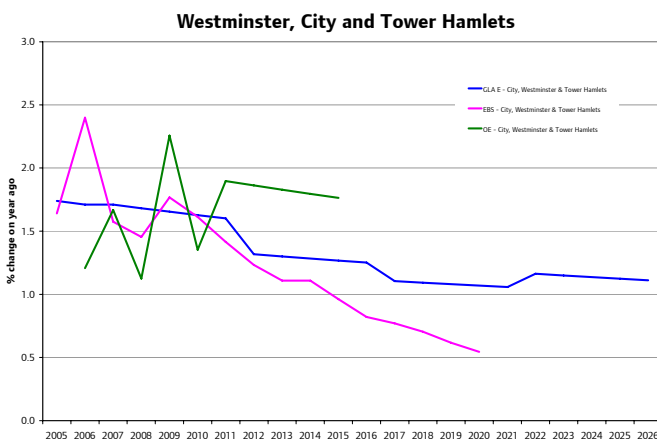


Chart 11

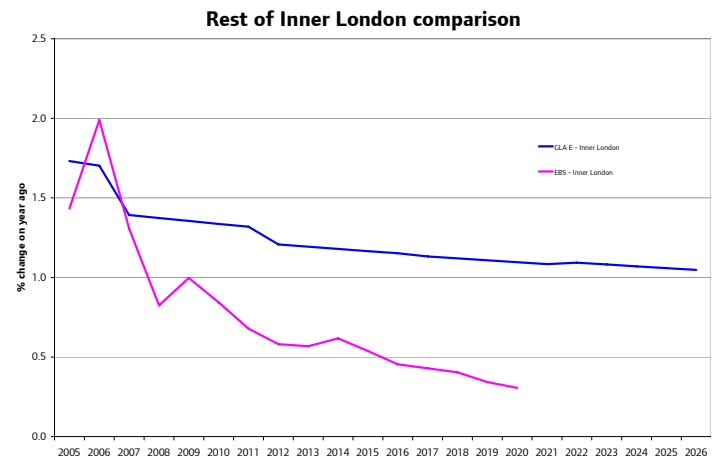
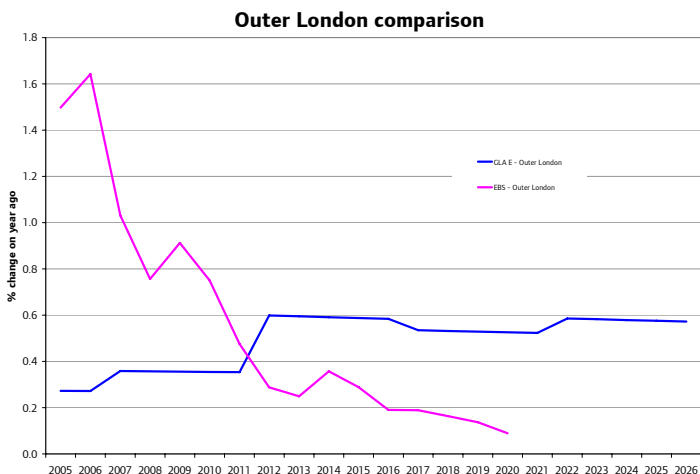


Chart 12



## 5. Conclusions

GLA Economics project that the level of employment will increase by around 1 million between 2004 and 2026. Employment is expected to grow more rapidly in Inner than Outer London and to become increasingly service sector based with growth in services employment and continuing decline in manufacturing employment.

Comparing our projections with those produced by outside independent forecasters shows them to be in the middle of the range with regard to overall employment in London as a whole. This suggests our projections are neither over optimistic nor unduly pessimistic. The sectoral composition of projected employment growth is similar in the GLA Economics projections compared with those of the independent forecasters.

In line with the rather stronger growth we project for London overall our projections for Inner London generally lie above those of EBS. Up to 2011, EBS project stronger employment growth in Outer London, but after 2011 our projections for this part of London are above those produced by EBS.