Swindon and Wiltshire Economic Assessment

Chapter 5: Growth Trajectory

A report by Regeneris Consulting

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Contents

1. Purpose

1.1 This report considers future growth prospects for Swindon and Wiltshire with consideration of:

Population projections

Short-Term Employment Prospects

Longer-Term Economic Prospects

Housing requirements

Employment land requirements

1.2 The analysis focuses on published data and research reports. The projections rely on a series of assumptions and should be treated with a degree of caution. This future gaze at the opportunities and threats posed by the sub-region can be used to shape appropriate policy responses to support growth and mitigate negative trends.

1.3 The report is arranged as follows:

Section 2 considers research and data informing the growth trajectory for Swindon and Wiltshire

Section 3 provides conclusions and implications for policy.

Table 1.1 RAG Rating for Data Sources	
Data Source	**RAG**
ONS, Sub-National Population Projections	Green
Warwick Institute for Employment Research, Working Futures	Amber
UK Commission for Employment and Skills, Qualification Projections	Amber
Hardisty Jones Associates, Swindon and Wiltshire Function Economic Market Assessment	Amber
Opinion Research Services, Swindon and Wiltshire Strategic Housing Market Assessment	Amber

2. Theme Analysis

2.1 Population Projections

1.4   The population of Swindon and Wiltshire was 714,400 in 2016 according to Sub-National Population Projections and this is anticipated to grow by +81,400 (11.4%) by 2039. This rate of growth is slightly below the national trend (+13.7%).

A diminishing labour pool…

1.5   In absolute terms, the number of working age people living in Swindon and Wiltshire is expected to rise by +7,600 (+1.7%) between 2016 and 2039. However, as a share of the total population, the working age population (WAP) is expected to fall from 61% to 56%. A falling WAP will place greater pressure on a smaller group of individuals to support an increasing share of economically inactive individuals. This is more pronounced at the local level with Wiltshire forecasted to have only 55% of its population of a working age by 2039 whilst Swindon is anticipated to have 59%.

1.6   This is a national issue; however, it is more pronounced in Swindon and Wiltshire which is forecast to experience a 5-percentage point (pp) reduction in the share of the population that are of working age compared to a 3pp reduction in England over the same period.

…and a growing dependent population

1.7   The fastest growing age cohort in Swindon and Wiltshire is 65+ which will result in +26,200 more residents in this age group (+14%) by 2039.

Figure 1.1 Age Profile Projections
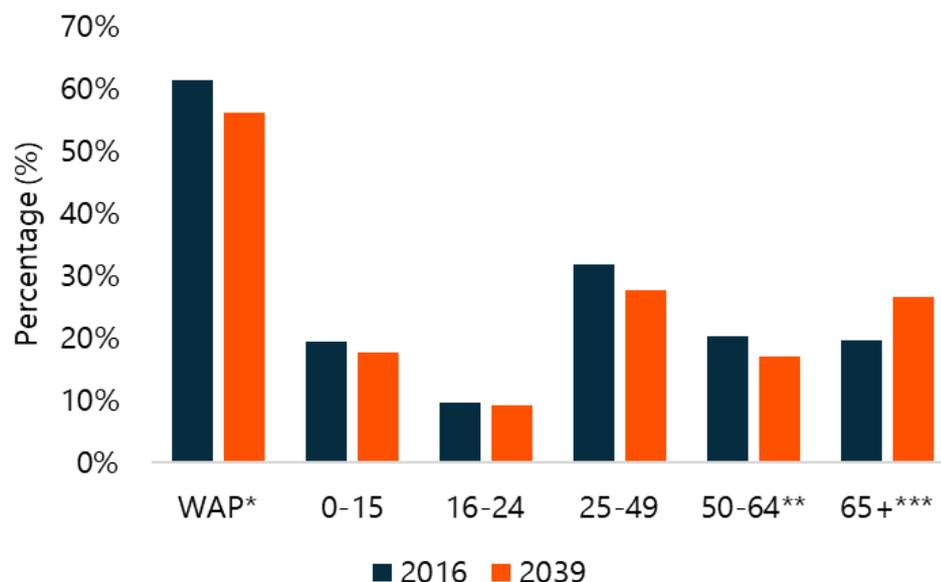
Source: ONS, Sub-national population projections 2017

*Assumes working age from 2017-2018 will be 16-64, from 2019 this will be 16-65, and from 2026 onwards it will be 16-66. **Accounts for changes in the state pension age

therefore this will broaden the age group to 50-65 for period 2019-2025, and 50-66 from 2026 onwards. ***Accounts for changes in the state pension age therefore this will broaden the age group to 66+ from 2019-2025, and to 67+ from 2026 onwards

1.8   These projections point to an impending demographic crunch which has implications for the supply of labour to support economic growth prospects.

1.9   It is anticipated that trends such as an increase in the employment rate and economic activity rate of women and of those aged 60+ years of age will help mitigate the impact of a diminishing working age population.

2.2 Short-Term Employment Prospects

Replacement need is driving demand for labour…

1.10   Working Futures provides short-term forecasts of expansion demand by sector between 2014-2024[1]. In total, there are expected to be c.24,000 job openings generated by expansion demand. Furthermore, there will be c.145,000 job openings created by replacement demand (e.g. individuals leaving the labour market for reasons such as retirement). This will create a net requirement of c.168,000 job openings during the period.

Figure 1.2 Forecast Job Openings (Total), 2014-2024, SWLEP
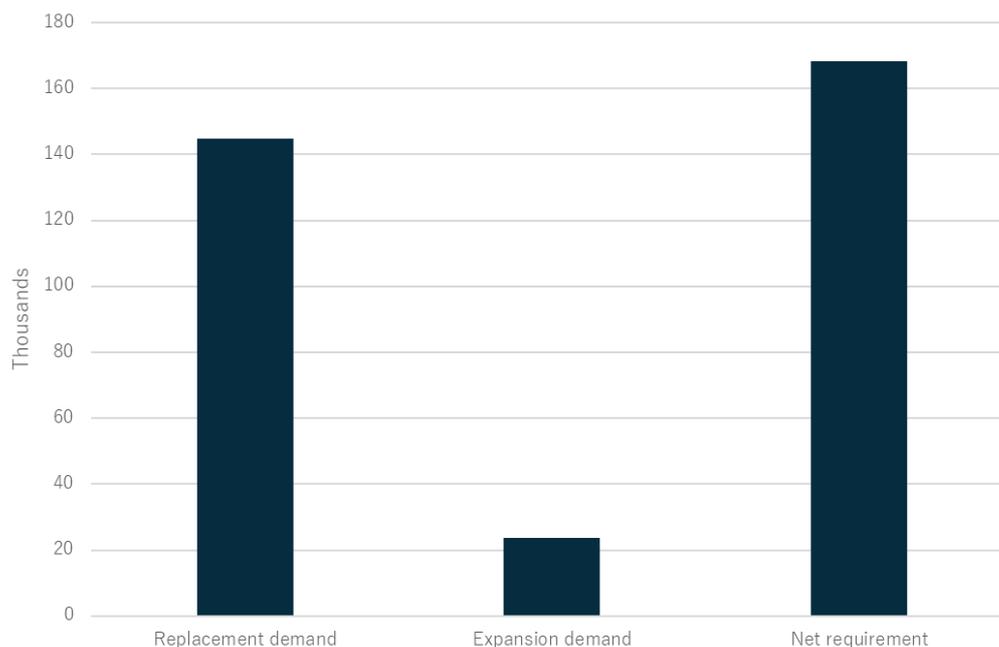
Source: Warwick Institute for Employment Research, Working Futures 2014

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[1] Working Futures forecasts are derived from different data sources and assumptions which underpin the projections published within the FEMA, with an imperfect alignment in the time period covered. Forecasts are no longer produced; thus the 2014 data release is the most recently published

…and the largest demands are anticipated to be in the service sector

Figure 1.3 Forecast Job Openings by Sector, 2014-2024, SWLEP
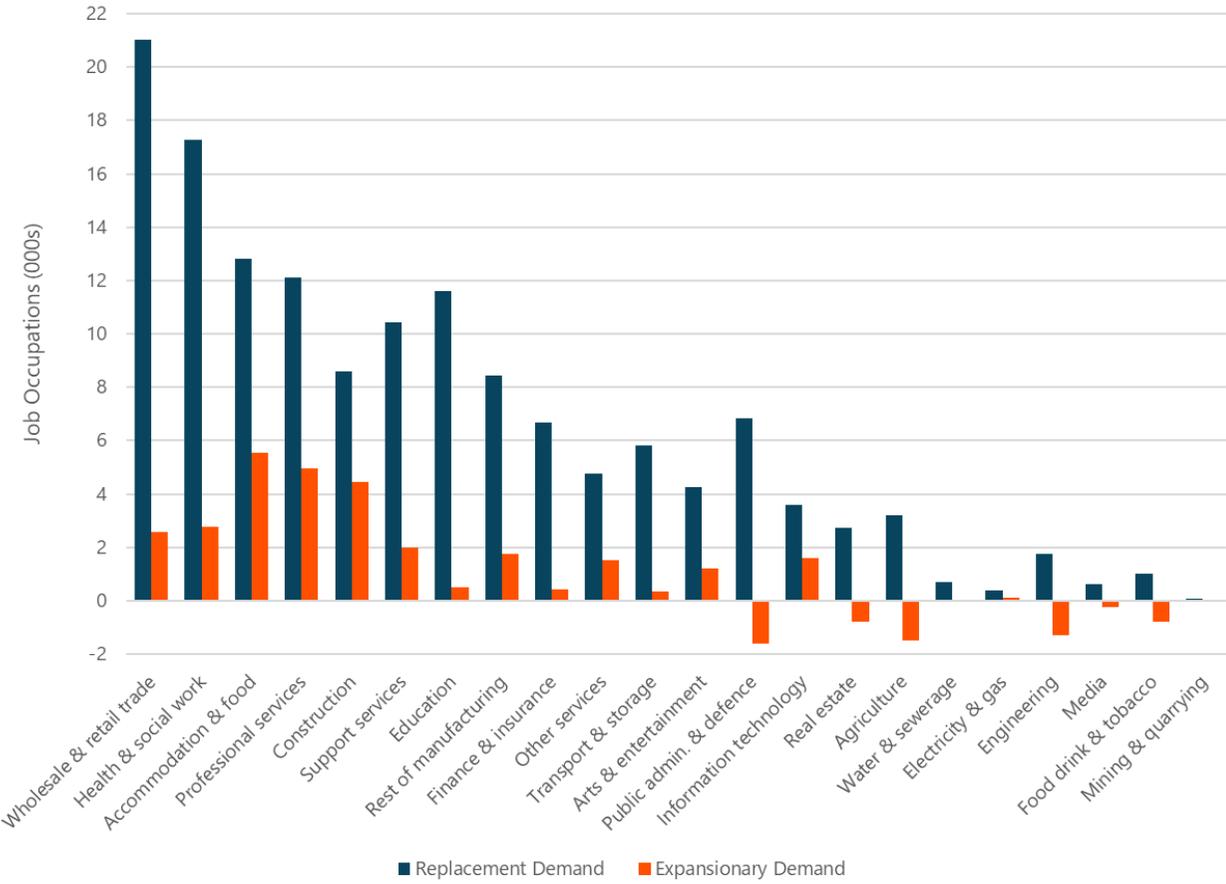
Source: Warwick Institute for Employment Research, Working Futures 2014

1.11   Sectors projected to see the most expansion include accommodation and food (+6,000), professional services (+5,000), and construction (+4,000). Whilst the service sectors will see the greatest number of replacement driven by retirement and those leaving the sector, with 21,000, 17,000 and 13,000 jobs needing replacing in the wholesale and retail, health and social, and accommodation and food sectors, respectively.

1.12   These projections illustrate the importance of meeting the needs of support industries such as construction, transport and storage, as well as local services such as wholesale and retail, accommodation and food, and health and social work. Higher value-added sectors such as manufacturing, information technology, and professional services need a highly skilled talent pool to grow.

Across the economy there is an increasing demand for high-level skills…

1.13   The skill level of the workforce is anticipated to increase, with a 6% increase in the share of total employees holding qualifications and credit framework (QCF) of level 4 or above, from 45% to 51%. A review of current skill levels of SWLEP can be found in the People and Communities chapter.

Figure 1.4 Qualifications Projections, SWLEP, Employee-based
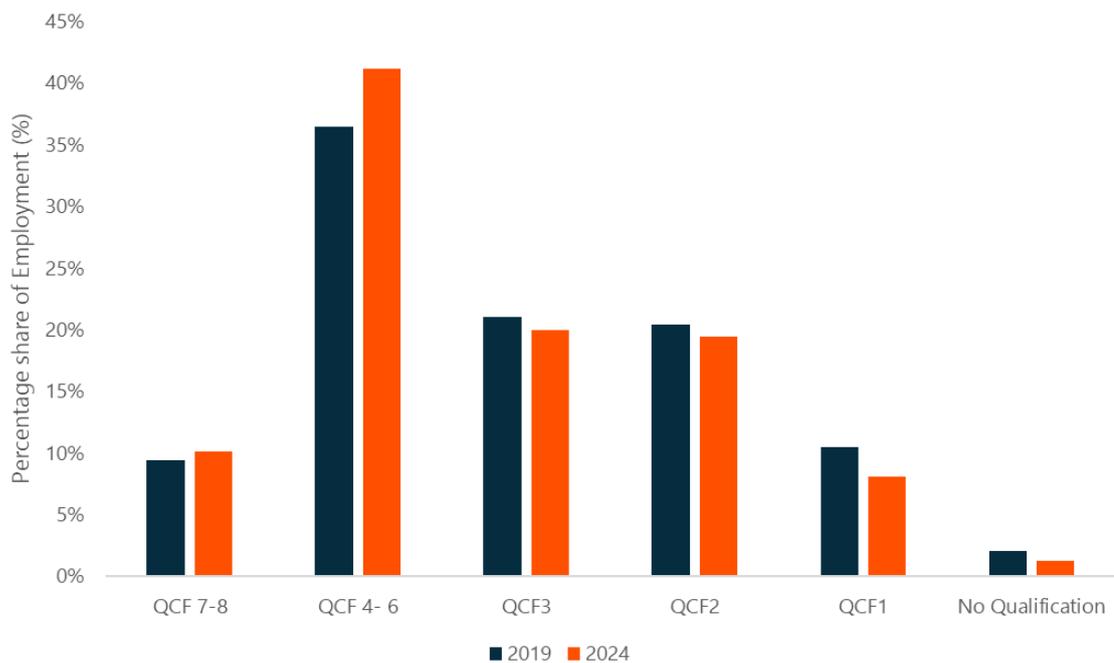
Source: UK Commission for Employment and Skills, 2015

Where: QCF8 Doctorate, QCF7 Other higher degree, QCF6 First degree, QCF5 Foundation degree; Nursing; Teaching, QCF4 HE below degree level, QCF3 A level & equivalent, QCF2 GCSE(A-C) & equivalent, and QCF1 GCSE (below grade C) & equivalent

…and there is a shift towards high-skill occupations

1.14   It is projected by 2024 that there will be 8% more SWLEP residents in high-skill occupations, whilst there will be a 4% decrease in those employed in middle-skilled occupations.

Figure 1.5 Occupation Projections, SWLEP, Employee-based
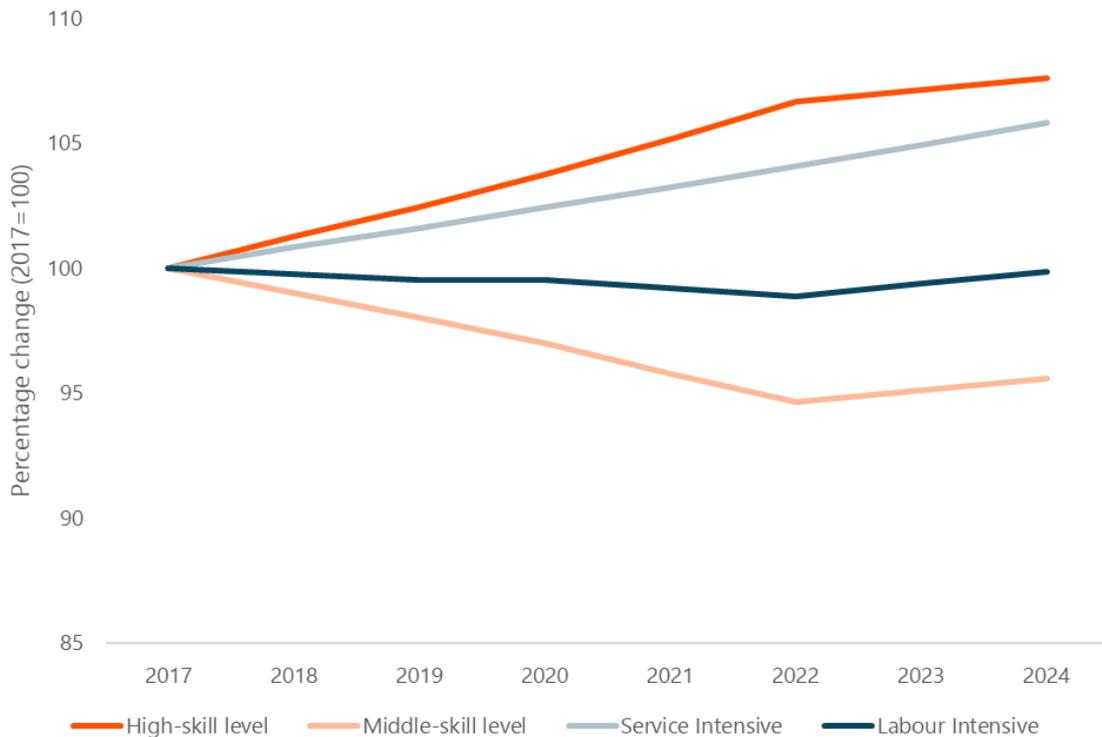
Source: UK Commission for Employment and Skills, 2015

High-skill level occupations (SOC 1 – 3): Managers, directors, and senior officials, professional occupations, and associate professional and technology occupations

Middle-skill level occupations (SOC 4 – 5): Admin and secretarial, and skilled trades

Service Intensive (SOC 5-6): Sales and customer service, and leisure and other services

Labour Intensive SOC (7 – 8): Process, plant and machine, and elementary occupations

2.3 Longer-Term Economic Prospects

Favourable long-term prospects…

1.15   The Functional Economic Market Assessment (FEMA) provides employment forecasts for the 2016-2036 period and projects a growth of 40,200 jobs, providing an average employment growth rate of 0.5% per annum.

1.16   The forecasts are provided by each of the three FEMAs and provide an encouraging view on the prospects for sector-driven growth, with +15,000 jobs in the Swindon-M4 FEMA, +13,800 in A350 and West/Central Wiltshire Towns, and +11,400 in Salisbury/Amesbury/A303.

1.17   The sector to experience the most growth is predicted to be the financial and business services sector with +15,000 additional jobs.

1.18   Primary industries are anticipated to contract across all three areas, whilst manufacturing is also expected to contract in Swindon M4 and Salisbury/Amesbury/A303. Public admin and defence is expected to contract in Swindon M4 and A350 and West/Central Wiltshire Towns.

1.19   The forecast average annual growth in GVA between 2016-36 is expected to experience a large increase from historic performance in Swindon and Wiltshire, from 1.5% per annum to ~2.2% per annum.

1.20   At a Growth Zone level, the data suggests there are correlations between sectors which are anticipated to grow and those which are relatively specialised or with a particularly large employment presence. Using a geographical best fit between FEMAs and Growth Zones:

Swindon-M4 Growth Zone – Professional Business Services and Health and Social Care, which are large existing employment sectors have considerable scope for future employment growth, when looking at the Swindon-M4 FEMA.

A350 Growth Zone – similar prospects as the Swindon-M4 Growth Zone, with a strong existing employment presence across Professional Business Services and Health and Social Care sectors.

Salisbury-A303 Growth Zone – strong scope for employment growth across the Professional and Business Services sector in particular.

1.21   Given the lack of precise alignment between the FEMA's identified sectors and the 'priority' and 'watch-list' sectors specified by the SEP; other sectors are also likely to see future employment growth. This includes the Knowledge Economy, Tourism, Life Sciences and ICT/Telecoms which may overlap with FEMA sector definitions, such as Other Services, and Info and Comms and Accommodation and Food. All these sectors are expected to experience employment growth across each of the three FEMAs and corresponding Growth Zones.

1.22   Considering the most specialised sectors (by employment) across each Growth Zone, there is also a positive correlation with forecasted sector growth:

Swindon-M4 Growth Zone – Professional Business Services, Knowledge Economy, Life Sciences and ICT/Telecoms.

A350 Growth Zone – Life Sciences and ICT/Telecoms.

Salisbury-A303 Growth Zone – Life Sciences and Tourism.

1.23   Also notable, is the considerable growth of the Public Admin and Defence sector in the Salisbury/Amesbury/A303 FEMA. This links to a large pre-existing MoD presence and the relocation and consolidation of military assets to Wiltshire, from across the UK. This correlates with a large pre-existing MoD presence, continued investment in Porton Down and related supporting employment in the wider Defence Contracting Sector, especially associated with Tidworth Garrison/Aspire.

Figure 1.6 Forecasted Employment Change by Sector by FEMA 2016-36
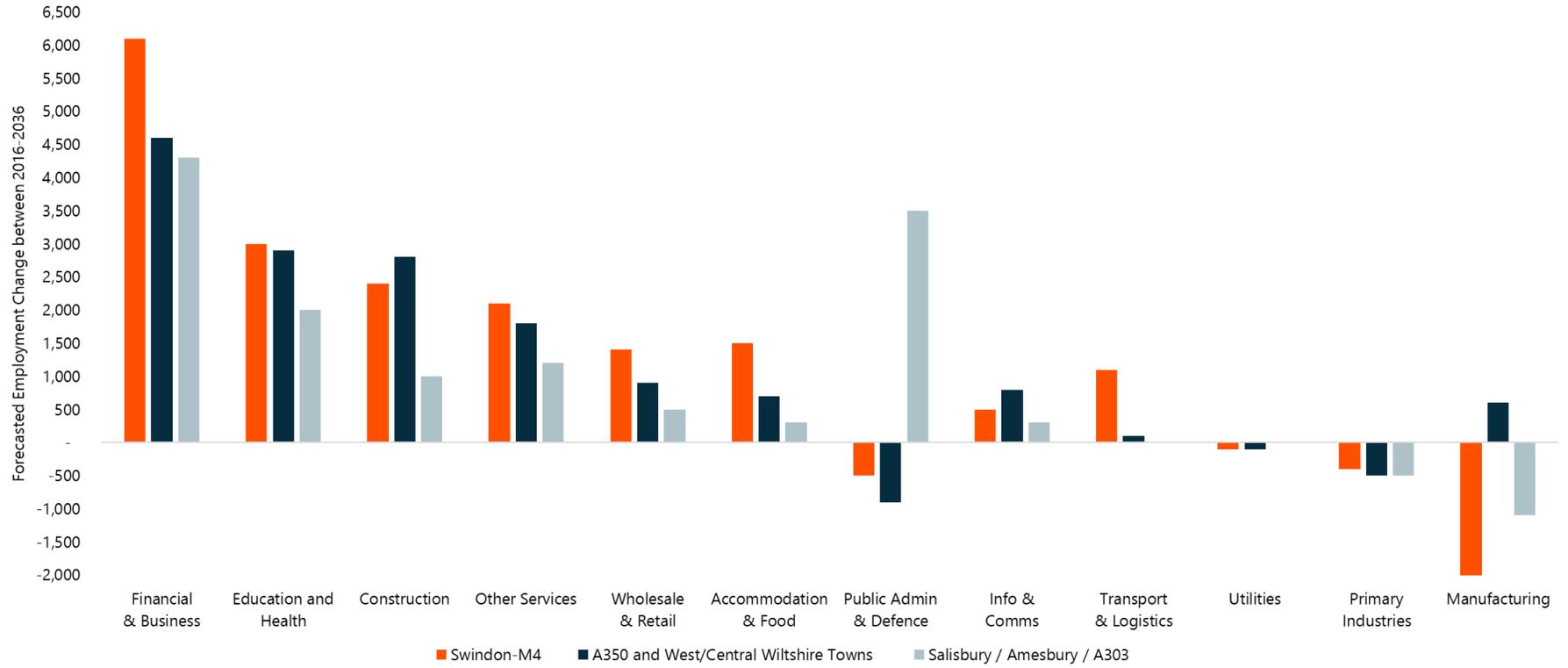
Source: FEMA, 2016

2.4 Housing Requirements

A significant increase in housing delivery is required…

1.24   The objectively assessed need for housing in SWLEP for the period 2016-36 is 72,157, split 40% (28,910) in Swindon, and 60% (43,247) in Wiltshire. This translates into 1,450 dwellings per annum in Swindon and 2,200 dwellings per annum in Wiltshire. A review of current and past housing completions and start within SWLEP can be found in the Sustainable Economic Growth chapter.

Table 1.2 Fully Objectively Assessed Need for Housing by Housing Market Area and Local Authority						
	Housing Market Areas				**Unitary Authorities**	
	Chippenham HMA	**Salisbury HMA**	**Swindon HMA**	**Trowbridge HMA**	**Swindon UA**	**Wiltshire UA**
Fully Objectively Assessed Need for Housing 2016-36	22,250	8,250	29,000	13,500	29,000	44,000
Dwellings per annum	1,113	413	1,450	675	1,450	2,200

Source: SHMA, 2017

2.5 Employment Land Requirements

1.25   The FEMA identifies floorspace and land requirements needed to accommodate forecast employment growth. Across the three FEMAs there will be a requirement of 337,200 sqm in office space and 858,000 sqm in industrial space between 2016-2036. Annually, this requires delivery of 16,900 sqm of office space and 42,900 sqm of industrial space. To meet this, a total of 12.4-14.9ha will be required annually.

Table 1.3 Estimates of Floorspace and Land Requirements per FEMA 2016-36 (sqm)						
	Swindon-M4 FEMA		**A350 and West/Central Wiltshire Towns FEMA**		**Salisbury / Amesbury / A303 FEMA**	
	Office	**Industrial**	**Office**	**Industrial**	**Office**	**Industrial**
Total Existing Stock	583,600	1,888,900	284,300	1,540,900	125,800	707,300
Total Requiring Provision	191,600	347,900	83,100	332,600	62,500	177,500
Average Annual Requirement	9,600	17,400	4,200	16,600	3,100	8,900
Total Land	19.2-47.9	87.0	8.3-20.8	83.1	6.1-	44.4

	Swindon-M4 FEMA		A350 and West/Central Wiltshire Towns FEMA		Salisbury / Amesbury / A303 FEMA	
	Office	**Industrial**	**Office**	**Industrial**	**Office**	**Industrial**
Requirement (ha)					15.6	
Average Annual Land Requirement (ha)	1-2.4	4.3	0.4-1	4.2	0.3-0.8	2.2

Source: Swindon and Wiltshire FEMA, 2016

1.26 Putting this into context, the FEMA further details historic employment space completions using data obtained from each of the unitary authorities. Between 1996-2014, Swindon saw average annual completions range from 35,000-40,000 sqm per annum (covering 8 ha per annum) whilst in Wiltshire, between 2007-15, completions averaged around 55,000 sqm, together accounting for 20 ha per annum. Though it should be noted much of the developed land in the past has been primarily driven by a few very large developments such as the Motorola and Honda Manufacturing Centres and Keypoint and B&Q Distribution Centres.

1.27 This compares favourably to the 12.4-14.9 ha of total estimated requirement needed across SWLEP as outlined before. Even when repeating the above analysis by removing the single lowest and highest development years in Swindon and Wiltshire average annual completions was 15 ha.

3. Conclusions and Policy Implications

1.28 **Swindon and Wiltshire's population is growing and is projected to reach 795,800 by 2039.** In absolute terms **the number of working age people will increase by +7,600 in this period, but in relative terms the working age population is commanding a decreasing share of the total and is expected to only account for 56% by 2039**, representing a 5pp reduction to 2016 levels. Swindon and Wiltshire has a rapidly growing older population, with an additional 71,000 people aged 65+ expected to be living in the sub-region by 2039. **This increased dependent population will have implications for the size of the labour pool to fuel economic growth, and place pressure on service provision** given the increased demands of an ageing population on public services.

1.29 **In the short term there are expected to be 145,000 job openings created by replacement demand between 2014-2024**, i.e. people leaving employment due to retirement, residents leaving the area, and labour market churn. **A further 24,000 job openings will be created by expansion, resulting in a net requirement of 168,000 job openings over the period**. The ability of the Swindon and Wiltshire economy to meet these demands presents a challenge when the supply of labour is diminishing. **The impact of skill gaps and shortages on the productivity and competitiveness of business is significant.** These challenges will need to be addressed if replacement and expansion-derived employment is to deliver prosperity and inclusive growth.

1.30 **The largest recruitment demands are anticipated to be in service sectors such as Wholesale and Retail Trade, Health and Social Work, Accommodation and Food, Professional Services and Construction**. These include those sectors on SWLEP's watch list including **visitor economy, health and social care, and construction**. **The scale of demand illustrates the importance of ensuring that the skills needs of key industries and local services are met**, as well as providing a targeted approach to meeting the demand for skills from target sectors such as health and life sciences, advanced engineering, finance and professional services, digital and ICT, and land-based industries.

1.31 **There is a projected shift towards a more highly skilled workforce. By 2024, 51% of employees are anticipated to hold QCF Level 4 or above. There will be 8% more employees in high-skilled occupations, whilst there is a decrease in middle-skilled occupations**. **This will require a focus on reskilling and upskilling of the workforce and resident population to ensure the talent pool is aligned to employer needs** and ensure that Swindon and Wiltshire is positioned to deliver the needs of target sectors. There is a need to ensure a demand-led approach to meeting employer demand for skills through aligning provision with anticipated need.

1.32 Looking ahead, **the Functional Economic Market Assessment predicts a growth of 40,200 jobs over the 2016-2036 period at an average rate of 0.5% per annum. All three FEMA areas are expected to share in this growth**, with Swindon-M4 seeing the greatest absolute rise in employment.

1.33 **Broadly, the SEP's priority and watchlist sectors align with projected sector growth across SWLEP**. Those with particularly good growth prospects such as the **Financial and Professional Services, Education, Health and Construction**, feature prominently within the existing SEP. Moreover, SEP support for Accommodation

and Food, and **Information and Communications** is also well-founded based on sector forecasts. **The fortunes of target sectors such as Manufacturing and land-based industries are more mixed in employment growth terms and will require support if they are to achieve anticipated productivity gains**. **Continued austerity and public-sector transformation measures, overseen by government, are impacting on the public administration and defence sector**, with employment losses anticipated in the Swindon-M4 and A350 FEMAs, although strong growth is anticipated across the Salisbury/Amesbury/A303 FEMA.

1.34 **This is an important consideration because the continued buoyancy of public administration activity is directly related to defence policy decisions made in Westminster and wider changes in procurement and contracting services**. Given the ongoing defence review and other changes in the Ministry of Defence, **developments in this area are very difficult to predict and provide a greater level of uncertainty for future economic strategy**.

1.35 **Enabling infrastructure such as homes, sites and premises are crucial to support economic growth. Overall, Swindon and Wiltshire needs to deliver 3,650 new dwellings per annum to meet identified need over the 2016-2036 period – a challenge in the context of historic completion rates**. These new homes will support the expansion of the labour market and increase the attractiveness of the area to inward investors and in-migrants. This will also help to promote a progressive growth agenda, making a valuable contribution to national house-building targets.

1.36 **Employment land requirements of 12.4-14.9 ha are required annually to accommodate forecast demand**. If achieved, Swindon and Wiltshire will be well-placed to support growth in key sectors. **The planning system will need to respond to the assumed demands, which represent a significant increase in historic rates of development** and will be a key component in delivering economic growth.