LONDON HOST BOROUGHS EMPLOYMENT FORECASTS

JULY 2017

Oxford Economics

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July 2017

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+110,000 jobs

The Host Boroughs have seen job growth outpace London as a whole since 2012, and grown faster than our previous forecast.

+125,000 jobs

Job growth in the Host Boroughs will continue to outperform London up to 2030

1 million jobs

Planned economic developments could create an additional 100,000 jobs over the projected baseline.

This project updates the existing Host Borough Economic Model to present Oxford Economics' latest baseline employment forecasts (i.e. our policy neutral or "do nothing" outlook – see Annex A for more detail), along with a faster alternative employment scenario which includes the additional impact of economic developments currently in the pipeline in Hackney, Newham, Tower Hamlets, as well as the Olympic Park itself.

The labour market has been stronger than expected since our last model update and report in 2013. Across the Host Boroughs, employment growth has outperformed expectations, reflecting the stronger performance of the labour market in London and the UK as a whole. Since 2012, there have been 110,000 additional jobs in the Host Boroughs, growing significantly faster than London as a whole, and more than three times the forecast pace of growth in 2013.

In addition, population growth in the Host Boroughs has been stronger than expected, again reflecting the general trend of London. This has been driven by much stronger net inward migration into the local authorities within the Host Boroughs, reflecting the growth in economic opportunities available in the area, as well as more affordable housing.

Our baseline forecasts (which exclude planned developments in the Host Boroughs) show labour market and population growth moderating over the forecast period, but remaining above the trajectory we had previously reported in 2013. By 2030, we expect there to be:

- 125,000 additional jobs in the Host Boroughs, growing at an annual rate of 1%, faster than pace of growth for London as a whole, and raising the level of jobs in the Host Boroughs to 930,000; and
- Over 2 million people living in the Host Boroughs, over 170,000 above the level projected in 2013, driven by a strong net inflow of migrants into the area.

The alternative employment scenario which includes a selection of planned developments shows faster growth:

- The creation over 100,000 additional jobs on top of the baseline projection by 2030, taking the total number of jobs in the Host Boroughs to over 1 million. The additional jobs will be concentrated in high value, and high skill sectors such as professional, scientific and technical activities; and finance and insurance; and
- An increase in the Host Borough population by 50,000 over the baseline forecast, driven by stronger net inward migration, reflecting the stronger economic opportunities that would become available in the area.

2. INTRODUCTION

In 2010 Oxford Economics developed the Host Borough Economic Model (HBEM) in order to determine the economic impact that the 2012 Olympics and related regeneration projects would have on the Host Boroughs of Barking and Dagenham, Greenwich, Hackney, Newham, Tower Hamlets, and Waltham Forest. The model was updated in 2013 and presented a 'progress report' of how the Host Boroughs were performing against the 2010 baseline projections, as well as presenting a new set of baseline projects.

Following discussions held with Oxford Economics in late 2016, LLDC commissioned a new update of the HBEM to present the latest baseline employment projections as well as an alternative growth scenario.

The growth scenario models the employment impact of significant and transformative development projects that were either under construction or in advanced levels of planning in the Host Boroughs. The data for the projects were provided directly by the local authorities of Hackney, Newham and Tower Hamlets, as well as the LLDC.

The report is structured as follows:

- **Chapter 3** examines the outturn performance of the UK and London since the 2013 report, as well as the updated baseline forecast;
- **Chapter 4** examines the outrun performance of the Host Boroughs since the 2013 report, as well as the updated baseline forecast; and
- **Chapter 5** sets out the employment scenario consistent with the planned economic developments in the Host Boroughs.

3. UK AND LONDON: OUTTURN PERFORMANCE SINCE 2013 AND REVISED OUTLOOK

3.1 2013 SUMMARY

The 2013 report was completed with the UK still emerging from the financial crisis in 2008. In the wider global context of a very weak Eurozone that teetered on breakup in 2012, economic data suggested that the UK economy had experienced a double dip recession (that was subsequently revised away in later data revisions) and our growth outlook was for a fragile recovery through 2013 and 2014.

At the UK level, the labour market had performed strongly in 2012, and we expected employment growth in 2013 to moderate, as productivity and GDP growth returned in 2014. We expected UK employment to reach 34.6 million by 2030 with population to increase to 63.6 million.

Our report outlined how London was leading the economic recovery of the UK. Employment stood at just over 5 million, with strong growth in 2010 and 2011 driving London's labour market back to pre-recession levels. This was driven by the boost in tourism following the London Olympics that saw strong growth in the accommodation and food sector, as well as a strong recovery in business services; and information and communications. We expected London's employment growth to slow in 2013 as spare capacity in the labour market was absorbed before accelerating in the medium term, reaching 5.7 million by 2030.

The report also highlighted important revisions to official estimates to London's population, which in 2012 stood at 8.3 million—500,000 more than previously thought. This was largely due to revisions in the estimates of migration, that up to that point has been underestimated. This was particularly relevant to Newham which saw the largest upward revision in the UK. We expected London's population to reach 9.9 million by 2030.

3.2 OUTTURN PERFORMANCE: UK AND LONDON

Outturn population growth has been stronger than expected. In 2016, the population of the UK stood at 65.7 million, an increase of just under 2 million since 2012. This saw the population grow at an average annual rate of 0.8%, having previously expected population growth of 0.7% per annum. This difference is large enough to result in 250,000 more people than expected.

While total population turned out to be much stronger than expected, working age population was much weaker, growing at only half the annual pace between 2012 and 2016 than we expected in our 2013 report. Overall population growth has therefore been supported by much stronger net migration, with the increase in net migration almost twice of what had been expected.

65.7 million

…the population of the UK has increased by 2 million since 2012, driven by strong net inward migration.

2%

…the annual rate of job growth in the UK, creating 2.5 million additional jobs.

The labour market has proved to be remarkably strong since 2012. While we had expected employment growth to moderate in 2013, it in fact strengthened. Jobs in the economy grew by just under 2% each year on average, adding 2.5 million jobs—more than three times the level increase anticipated in 2013. This has translated in unemployment falling much faster than expected, with employment and unemployment rates at record levels.

Fig. 1. Population and labour market growth; outturn versus 2013 forecast, 2012-2016, UK

	2013 report		Outturn	
	level (000s)	% p.a.	level (000s)	% p.a.
Total population	1,710	0.7%	1,959	0.8%
Working Age pop	1,004	0.6%	564	0.3%
Migration	610	-12.4%	1,123	19.0%
Employment	744	0.6%	2,457	1.9%
Employment rate (level)	70.0%		77.8%	
Unemployment	-48	-0.7%	-798	-16.0%
Unemployment rate (level)	3.9%		1.9%	

Source: Oxford Economics

3.2.1 London

2.7%

…the annual rate of job growth in London, three times the pace of growth we expected in 2012.

London has driven the stronger than expected performance of the UK since 2012. London's population reached 8.8 million in 2016, with annual growth of 1.5% since 2012 seeing the population increase by over 500,000—significantly stronger than our 2013 forecast.

Unlike the UK as whole, working age population growth was stronger than our previous report's forecast, growing by just under 300,000 since 2012. This is likely to have been driven by much stronger net inward migration, which cumulatively increased by 180,000 having previously expected it to be flat. Migrants tend to be younger than the average population, therefore an increase in net migration tends to boost the working age population and labour supply.

In 2013 we had expected strong job growth for London, increasing year-on-year by a robust 0.9% per annum up to 2016. However, the outturn pace of growth was three times faster than the forecast, adding 580,000 jobs since 2012. The pace of job growth relative to population growth means that the employment rate is much higher than we had anticipated, and the unemployment rate significantly lower.

Fig. 2. Population and labour market growth; outturn versus 2013 forecast, 2012-2016, London

	2013 report		Outturn	
	level (000s)	% p.a.	level (000s)	% p.a.
Total population	383	1.1%	510	1.5%
Working Age pop	234	1.0%	297	1.3%
Migration	-3	0.0%	178	34.9%
Employment	178	0.87%	579	2.7%
Employment rate (level)	67.2%		77.4%	
Unemployment	146	0.4%	-113	-15.8%
Unemployment rate (level)	4.0%		1.9%	

Source: Oxford Economics

3.3 REVISED OUTLOOK

70.6 million

….people in the UK by 2030. But we expect the pattern of migration to alter due to Brexit.
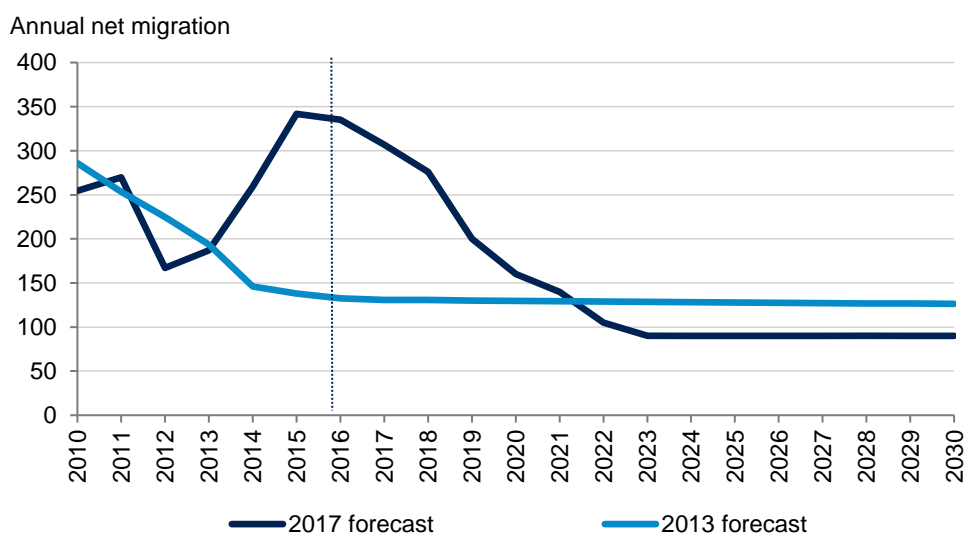
Population growth in the UK will moderate over the forecast period to 0.5% per annum, in-line with our forecast in 2013 which reflects our view on a more sustainable pace of growth of population. This will see the overall population grow by just under 5 million to reach 70.6 million by 2030. This will be 250,000 more than our forecast level in the 2013 report, largely driven by the stronger population growth since 2012.

The migration figures between the two forecasts are similar, and contribute roughly the same to total population growth, however, it is worth reflecting on the profile on net inward migration over the forecast period. Figure 3 shows that the annual rate on net migration up to 2016 was much stronger than anticipated in the 2013 report, peaking at just under 350,000 in 2015. We expect the rate on net inward migration to ease up to 2018 before falling sharply when the UK is scheduled to leave the EU. We then expect migration to fall below 100,000—the current government's explicit target by 2023.

Fig. 3. Annual net migration, 2010-2030, UK

Annual net migration

Source: Oxford Economics

We also expect labour market growth to ease over the forecast period. London is already at record levels of employment and unemployment, therefore it is our view that there is limited capacity for growth above trend. As such we expect job growth to be in line with our 2013 forecast, adding just over 2 million jobs by 2030. However, this will see the employment rate rise to over 80%, a level much higher than we had expected in the previous report. With the unemployment rate already at a record low, we do not see much scope for it to fall further – but it will remain significantly lower than we had expected in 2013.

Fig. 4. Population and labour market growth; outturn versus 2013 forecast, 2016-2030, UK

	2013 report		2017 forecast	
	level (000s)	% p.a.	level (000s)	% p.a.
Total population	5,001	0.5%	4,978	0.5%
Working Age pop	2,097	0.4%	446	0.1%
Migration	1,798		1,908	
Employment	2,026	0.4%	2,071	0.4%
Employment rate	70.6%		81.1%	
Unemployment	-260	-1.3%	-36.2	-0.3%
Unemployment rate	3.1%		1.8%	

Source: Oxford Economics

10.4 million

….London's population by 2030. Higher than the level we previously expected, driven by higher net inward migration.

We now forecast London's population to reach 10.4 million by 2030, just over 400,000 higher than our 2013 forecast. This is due to the stronger outturn performance up to 2016, but also stronger growth going forward with annual growth of 1.2% per annum in our new forecast as opposed to 1% in our 2013 report. The faster rate of growth will see the population rise by an additional 1.5 million from its current level, and 300,000 more than the change for the same period in the 2013 report.

Working age population will also grow at a slightly faster pace over the forecast period compared to the 2013 report, growing by just over 900,000 by 2030. The stronger working age population is likely to be driven by the higher net inward migration, which will add 262,000 to London's population by 2030. We expect net migration to follow a similar pattern as that for the UK and slow once the UK leaves the EU, we expect migration into London to remain positive. This is in stark contrast to our 2013 report where we expected net inward migration to be negative.

Fig. 5. Annual net migration, 2010-2030, London

Net annual migration
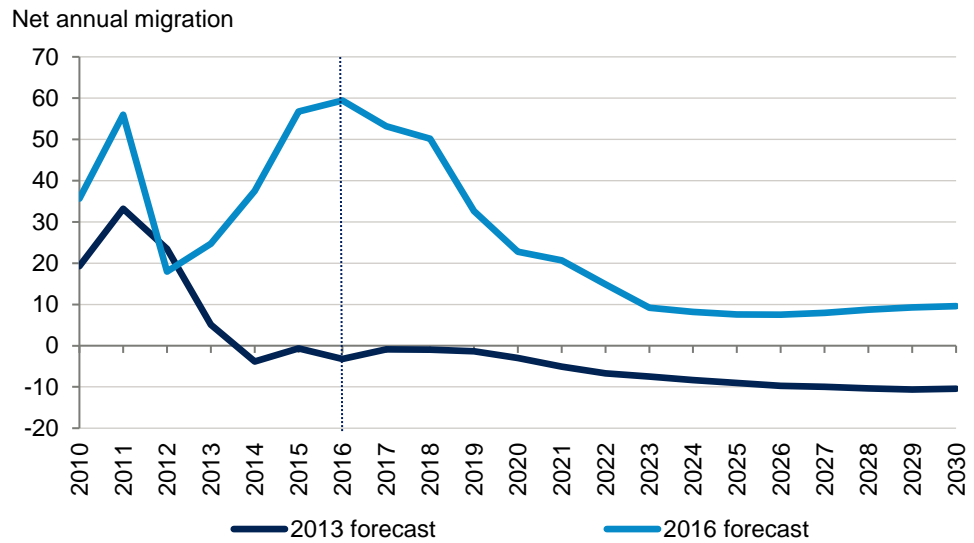
Source: Oxford Economics

750,000

….additional jobs in London by 2030, bringing the total number of jobs up to 6.4 million.

While we expect employment growth to moderate in London over the forecast period, it will still set a very respectable pace of just under 1% per annum. This is faster than the pace of growth forecast in 2013, and will see the number of jobs increase by 750,000 to 6.4 million in 2030, significantly above the 5.7 million estimate in 2013. Our updated forecast sees both the employment rate above and the unemployment rate below the levels we expected in the previous report.

Fig. 6. Population and labour market growth; outturn versus 2013 forecast, 2016-2030, London

	2013 report		2017 forecast	
	level (000s)	% p.a.	level (000s)	% p.a.
Total population	1,234	1.0%	1,537	1.2%
Working Age pop	779	0.9%	914	1.0%
Migration	-94		262	
Employment	503	0.7%	748	0.9%
Employment rate	65.3%		75.5%	
Unemployment	4.8	0.1%	-1.5	-0.1%
Unemployment rate	3.6%		1.6%	

Source: Oxford Economics

4. HOST BOROUGHS: OUTTURN PERFORMANCE AND UPDATED OUTLOOK

4.1 FINDINGS OF PREVIOUS REPORT

The 2013 report showed that the Host Boroughs had been performing strongly.

Population growth had been driven by people with high skills, indicating that the relatively weak employment and unemployment rates could close the gap to the London average. However, it also highlighted that there was a significant amount of local residents detached from the labour market, and that it would take active labour market policies and inclusive growth to bring these people into work.

Our baseline projections expected the combined Host Boroughs area to increase by 312,000 people and 110,000 additional jobs by 2030. However, both the collective Host Borough employment and unemployment rates would remain weak relative to the London and UK benchmarks.

4.2 OUTTURN PERFORMANCE: HOST BOROUGHS

Population growth has been much stronger than anticipated in the 2013 report. In 2016 the Host Borough's population stood at 1.7 million, over 50,000 more than our previous forecast.

1.7 million

…people living in the Host Boroughs in 2016, an increase of 140,000 since 2012 driven by stronger net inward migration. Migrants are generally young, and ready to work, therefore boosting the local economy.

Fig. 7. Population projections, Total Host Boroughs, 2013 and 2017 forecasts, 2010-2016, forecast period from 2012

People, 000s
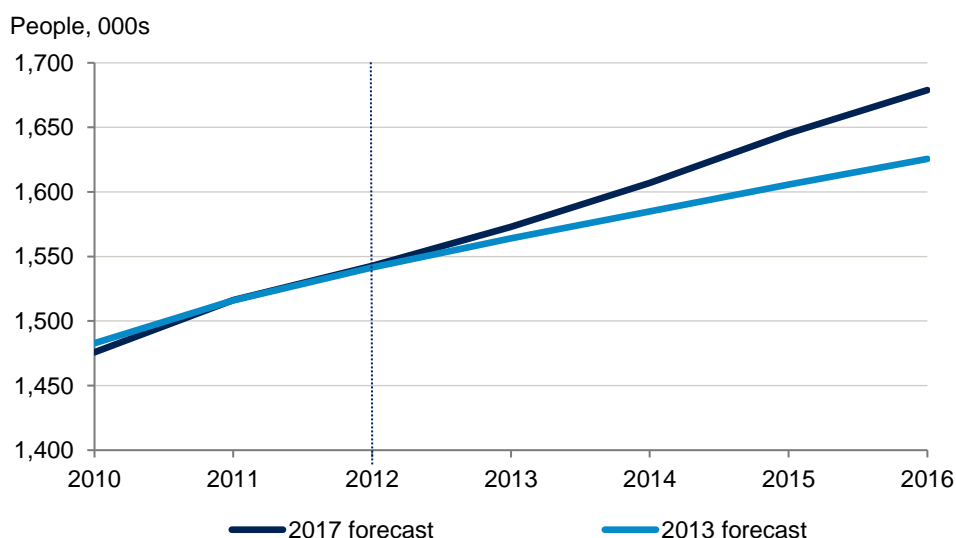
Source: Oxford Economics

The pace of population growth has been exceptionally fast, growing by 2.3% per annum, leading to an increase of 136,000 people in the Host Boroughs

between 2012 and 2016. Tower Hamlets and Hackney have been particularly strong, with the increase in population more than twice that expected in 2013.

Across the Host Boroughs, stronger net inward migration has driven stronger population growth. We had expected a slight net outflow of migration up to 2016, however this has been confounded by a rapid inflow of migrants into the area. This is likely to be driven by a combination of international migrants and young professionals moving from other parts of London and the UK to avail of relatively more affordable housing as well as job opportunities in the local labour market. The strong inflow of migrants, who are typically younger than the average, has led to much stronger growth of working age people in the Host Boroughs.

Fig. 8. Total, Working age and migration change, 2013 forecast versus outturn, 2012-2016, Host Boroughs, 000s[1]

|	Population		WA		Migration	
	F 2013	Outturn	F 2013	Outturn	F 2013	Outturn
Hackney	9.8	22.5	7.0	16.1	-5.1	8.8
Newham	23.5	26.2	17.2	18.6	2.2	6.3
Tower Hamlets	17.7	39.9	14.0	29.1	2.4	25.3
HB Total	**84.2**	**136.1**	**58.7**	**94.2**	**-6.6**	**52.6**
London	**383.4**	**510.0**	**233.7**	**296.6**	**-2.7**	**178.4**

Source: Oxford Economics

3.8%

…the annual rate of job growth in the Host Boroughs, three times faster than London, adding 110,000 jobs.

Job growth has also been stronger up to 2016, growing by 3.8% per annum—more than three times the pace forecast in 2013, and significantly faster than the pace of growth for London as a whole. This pace of growth has led to over 110,000 additional jobs, bringing total employment to 930,000 in 2016, almost 20% above the level we had expected in our 2013 forecast.

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[1] The Host Borough Total in figure 8 and all subsequent tables represents the sum total for Barking & Dagenham, Greenwich; Hackney; Newham; Tower Hamlets; and Waltham Forest. We present individual data for the three local authorities for which we received data on developments for the growth scenario in Chapter 5.

Fig. 9. Employment projections, Total Host Boroughs, 2013 and 2017 forecasts, 2010-2030

Jobs, 000s
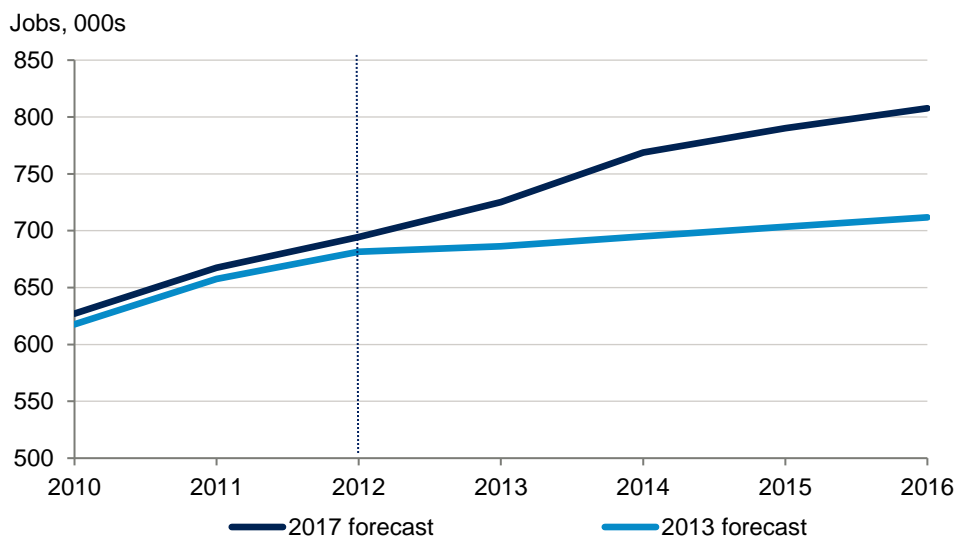
Source: Oxford Economics

50,000

….more jobs in Tower Hamlets since 2012, with Newham and Hackney seeing job growth 5 times larger than expected.

Job growth has outperformed our expectations across the Host Boroughs, with Tower Hamlets being particularly strong with almost 50,000 additional jobs. The job growth of Hackney and Newham is also notable, creating around five times more jobs than expected in the 2013 forecast.

Stronger jobs growth has led to much improved labour market participation by Host Borough residents, reflected in better than expected employment and unemployment rates. However, the Host Borough employment rate remains below, and the unemployment rate remains above the London average, indicating that there is further capacity for improvement.

Fig. 10. Job growth, employment and unemployment rate, 2013 forecast versus outturn, 2016, Host Boroughs, 000s

	Job growth		Employment rates		Unemployment rates	
	F 2013	Outturn	F 2013	Outturn	F 2013	Outturn
Hackney	4.7	24.4	66.6%	71.7%	5.7%	2.5%
Newham	3.4	17.0	51.4%	68.9%	5.5%	1.9%
Tower Hamlets	18.3	48.8	59.2%	74.5%	5.6%	2.3%
HB Total	**30.24**	**113.2**	**61.0%**	**71.6%**	**5.4%**	**2.2%**
London	**150.81**	**579.2**	**67.2%**	**77.4%**	**4.0%**	**1.9%**

Source: Oxford Economics

Explaining the difference between forecast and outturn performance

The updated analysis shows that outturn growth in population and employment has been significantly stronger than our forecasts expected in 2013. There are two major reasons for this:

1. Our 2013 forecast had expected employment growth to slow due to a recovery in productivity. Following the financial crisis, employment recovered quickly while economic growth (as measured by GDP) stalled, meaning productivity—the amount of economic produced per worker was weak.

   Productivity is the key driver of long-term GDP growth, and in 2013 we were expecting productivity to recover to pre-recession trends, curtailing the pace of employment growth. However, this did not come to fruition, with preferring to rely on hiring more workers to meet growing demand rather than invest in capital to boost productivity.

2. Our 2013 baseline forecast will not have captured planned developments completed between 2012 and 2016 that will have had a significant residential and commercial impact on the Host Borough economy.

4.3 REVISIED OUTLOOK

2 million

….people living in the Host Boroughs by 2030, with an annual growth rate of 1.3%

We expect the stronger growth in population to be sustained over the forecast period, reaching over 2 million people by 2030. This will result in 170,000 more people living in the Host Boroughs than we had projected in our 2013 report. Figure 11 shows that this is driven by the stronger outturn increase between 2012 and 2016 where population was already 50,000 ahead of the forecast. In addition, our new baseline forecast expects stronger growth of 1.3% per annum from 2016 onwards, compared to 0.9% in the 2013 report.

Fig. 11. Population projections, Total Host Boroughs, 2013 and 2017 forecasts, 2010-2030, lines indicate outturn and forecast period

People, 000s
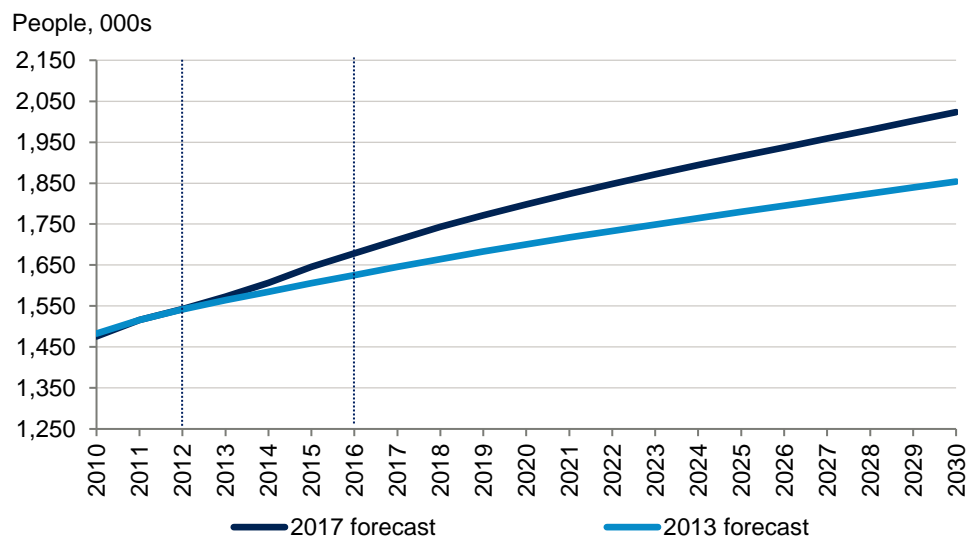
Source: Oxford Economics

70,000

…the expected net inflow of migrants into the Host Boroughs over the forecast period.

Population growth will be strongest in Tower Hamlets and Newham, which will collectively account for over 40% of total Host Borough increase. As with pre-2016 trends, stronger net migration is the main reason for faster population growth over the forecast period. Having previously expected a net migration outflow of almost 90,000 by 2030, we now expect a net inflow of almost 70,000. This explains for most of the increase in working age population, and in turn the larger overall population for the Host Boroughs.

Fig. 12. Population, Working age, and cumulative net migration, 2013 forecast versus 2017 forecast, Host Boroughs, 000s

|	Population		WA		Migration	
	F 2013	F 2017	F 2013	F 2017	F 2013	F 2017
Hackney	31.4	53.7	23.7	35.2	-0.2	12.9
Newham	51.8	71.5	41.1	45.0	-2.1	12.6
Tower Hamlets	54.6	74.5	46.0	52.7	-0.5	36.5
HB Total	**228.2**	**344.5**	**169.2**	**226.9**	**-85.4**	**66.6**
London	**1,234.3**	**1,536.5**	**779.1**	**914.2**	**-93.9**	**262.2**

Source: Oxford Economics

125,000

…additional jobs in the Host Borough economies by 2030, raising the employment level to 930,000.

Our baseline projection is for job growth in the Host Boroughs to grow by 1% per annum up to 2030, up from 0.8% growth in our 2013 forecast. This will see the Host Boroughs add just over 125,000 jobs by 2030, raising total employment to 930,000.

Fig. 13. Employment projections, Total Host Boroughs, 2013 and 2017 forecasts, 2010-2030

Jobs, 000s
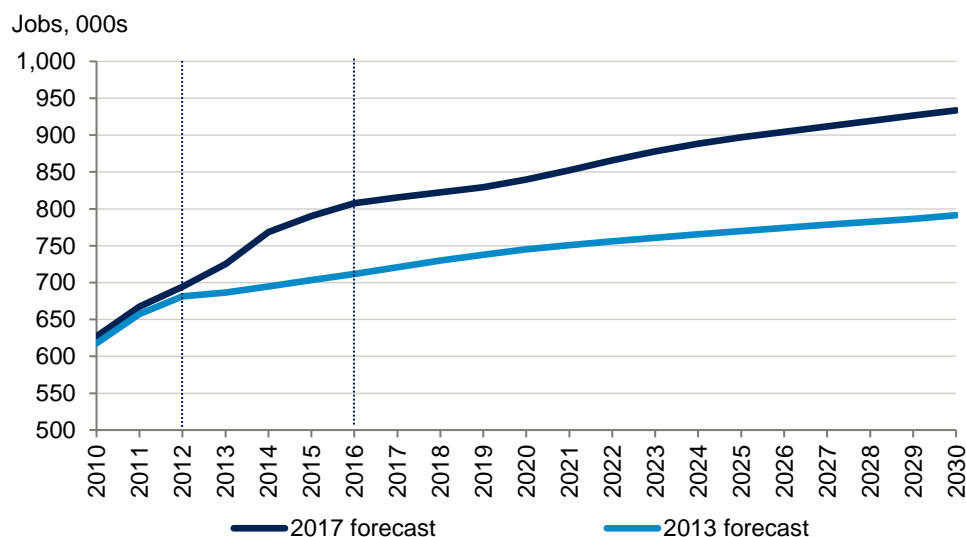
Source: Oxford Economics

We expect employment growth to be stronger over the forecast period. Newham in particular sees a large upward revision, with 18,000 additional jobs by 2030—more than three times the additional jobs growth expected in 2013.

The stronger growth outlook will translate into much improved employment and unemployment rates by 2030 relative to our previous forecast. But again, both the employment and unemployment rates will be weaker than the London average indicating that more needs to be done to tackle worklessness in the area. It is also worth noting that our new baseline forecast expects the employment rates to decline over the forecast period (compare employment rates in figure 14 to figure 10). This is because despite strong job growth of 1% per annum for the Host Borough as a whole, working age population is expected to grow even faster at 1.3%.

Fig. 14. Job growth, employment and unemployment rate, 2013 forecast versus 2017 forecast, Host Boroughs, levels in 000s

|	Job growth 2016-2030		Employment rates		Unemployment rates	
	F 2013	F 2017	F 2013	F 2017	F 2013	F 2017
Hackney	13.4	23.5	64.7%	69.9%	5.1%	1.9%
Newham	5.5	17.9	47.5%	65.3%	5.7%	1.9%
Tower Hamlets	50.2	54.7	55.6%	70.2%	5.5%	1.9%
HB Total	**79.7**	**125.8**	**58.1%**	**67.9%**	**5.2%**	**1.9%**
London	**503.1**	**748.0**	**65.3%**	**75.5%**	**3.6%**	**1.6%**

Source: Oxford Economics

24,000

….additional jobs in professional, scientific and technical activities. With the top three sectors accounting for 50% of all job growth by 2030.

Job growth will be strongest in professional, scientific and technical activities, adding just under 24,000 jobs over the forecast period. This will be followed closely by administrative and support services activities, and health and social work. Collectively these three industries will account for half of the total job growth in the Host Boroughs by 2030.

Fig. 15. Job growth by sector, Host Borough, 000s, 2016-2030
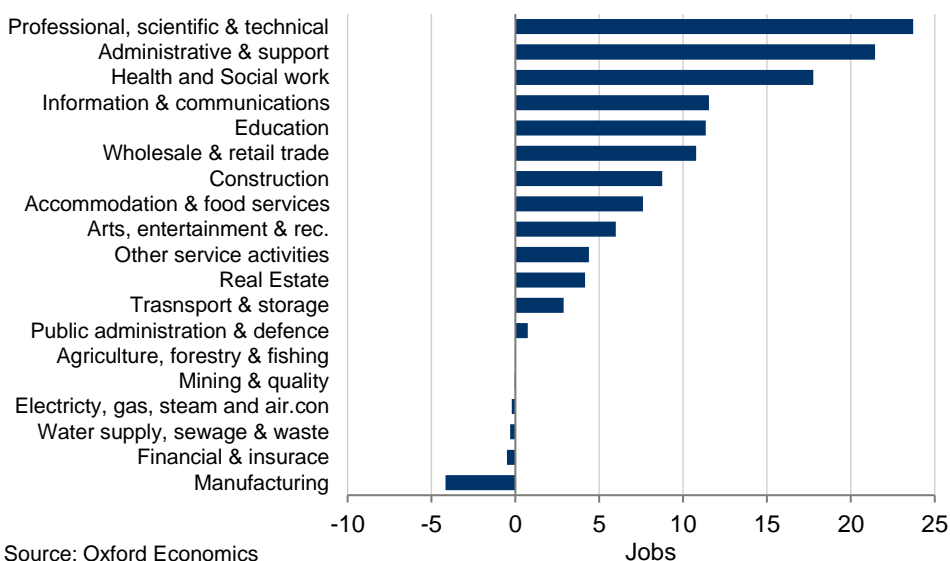
Source: Oxford Economics

While creating high skill, high value jobs is desirable to drive long-term growth, it is important to provide opportunities for all and therefore create an inclusive

growth. Figure 16 shows the concentration of occupations by skill for job creating sectors in our baseline forecast. This shows that that there will be job opportunities for across the skills spectrum, for instance, professional, scientific, and technical activities will create job opportunities for those with high skill levels such as managers and senior officials, and professional and associated professionals. While administrative and support activities, and health and social care requires people with high, medium and low skill workers. [2]

Fig. 16. Industry by skilled occupations, Host Borough, 2016

Industry	High	Medium	Low
Professional, scientific & technical	81.5%	15.6%	2.9%
Administrative & support	35.3%	23.7%	41.0%
Health and Social work	52.8%	43.8%	3.4%
Information & communications	82.5%	11.1%	6.4%
Education	63.2%	28.4%	8.3%
Wholesale & retail trade	33.1%	16.7%	50.2%
Construction	27.2%	56.6%	16.2%
Accommodation & food services	19.1%	31.4%	49.5%
Arts, entertainment & rec.	65.4%	21.8%	12.8%
Other service activities	38.8%	50.2%	11.0%
Real Estate	74.5%	24.0%	1.5%
Transport & storage	55.3%	35.6%	9.1%
Public administration & defence	55.3%	35.6%	9.1%

Source: Oxford Economics

700,000

…job openings over the forecast period to replace outgoing workers. This will help create job opportunities evenly across all occupations and skill levels.

In terms of matching jobs to people, our forecast growth in jobs will create over 110,000 job openings for people in the Host Boroughs and surrounding areas up to 2030. However, the constant churn of the labour market where people move out of work (into retirement, unemployment or inactivity) means that there is a base requirement of people needed to move into jobs even if the labour market is not growing overall. This is termed the replacement demand, and will cumulatively add over 700,000 job opportunities over the forecast period, equivalent to replacing 6% of the workforce each year.

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[2] See Annex B for the full industry/occupation matrix.

Fig. 17. Cumulative annual expansion and replacement demand, 2016-2030, Host Boroughs, levels in 000s

	Expansion demand	Replacement demand	RD % of workforce
Hackney	19.7	112.2	5.7%
Newham	15.4	143.4	7.0%
Tower Hamlets	48.2	214.4	4.9%
HB Total	**113.5**	**709.2**	**5.8%**
London	**572.0**	**4,462.3**	**5.7%**

Source: Oxford Economics

By breaking down the expansion and replacement demand by occupations shows that while almost half of all job opportunities created by growth in the labour market will be concentrated in high skilled occupations, the existing structure of the labour market means that there will be a more even distribution of openings across the skill sets, with low skilled occupations accounting for just under 40% of the demand from job replacements.

Fig. 18. Cumulative annual expansion and replacement demand by occupation, 2016-2030, Host Boroughs, 000s

Skill	Occupation	Expansion demand	Replacement demand	Net requirement
High	Managers and senior officials	10.5	29.3	39.8
	Professional occupations	29.2	150.9	180.1
	Associate professional and technical occupations	16.6	41.1	57.7
Medium	Administrative and secretarial occupations	8.5	56.5	64.9
	Skilled trades occupations	9.5	43.1	52.6
	Personal services occupations	14.0	107.0	121.0
Low	Sales and customer service occupations	6.5	112.7	119.3
	Process, plant and machine operatives	4.0	33.4	37.4
	Elementary occupations	14.8	135.2	150.0
	Total	113.5	709.2	822.7

Source: Oxford Economics

63.7%

…the share of those employed with high qualifications by 2030, and increase on the current level, driven by the creation of high skill jobs.

Overall, this leads us to expect that the composition of skills in Host Boroughs to improve over the forecast period. Currently, around 60% of those employed have an NVQ 4+; this is slightly lower than the average for London as a whole. We expect the composition to improve over the forecast period, with the share of those employed with the highest qualifications to improve to around 64%, with a reduction of those with no qualifications. This reflects that type of jobs we expect to be created in the Host Boroughs up to 2030 will be increasingly skills hungry, and that there is a need to ensure that local residents are equipped with the skills and training necessary to compete in a skills hungry labour market.

Fig. 19. Skill levels, % of workforce by NVQ level, 2016 and 2030 projection, Host Boroughs

NVQ Level	2016				2030			
	Hackney	Newham	Tower Hamlets	HB	Hackney	Newham	Tower Hamlets	HB
NQF 4+	61.1%	55.1%	63.1%	59.6%	65.2%	59.6%	66.9%	63.7%
NQF 3	14.1%	15.4%	13.7%	14.4%	13.7%	15.0%	13.3%	14.1%
NQF 2	2.5%	2.9%	2.1%	2.5%	1.4%	1.7%	1.1%	1.4%
NQF 1	10.2%	11.7%	10.1%	10.7%	10.9%	12.6%	10.7%	11.5%
Other	8.2%	10.0%	7.4%	8.6%	5.9%	7.5%	5.3%	6.3%
No quals..	3.9%	4.9%	3.6%	4.1%	2.9%	3.6%	2.6%	3.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Oxford Economics

5. GROWTH SCENARIO

5.1 OVERVIEW

A faster growth scenario has been constructed that assess the potential labour market impact of major developments in the Host Boroughs that are currently in the pipeline. Data on major transformational developments has been provided by the local authorities and we have modelled their impact through the HBEM. This has enabled us to compare the growth scenario against the baseline outlook. Annex A includes details of the modelling approach.

5.2 POPULATION IMPACTS

+50,000

….additional people in the Host Borough due to planned commercial developments.

The development scenario is consistent with a rise in the Host Borough population of just under 50,000 over our baseline projection by 2030. Economic developments that create jobs will attract people to live in the area, and as such it is unsurprising that the increase in population is driven by an uplift in cumulative net inward migration, which in turn boosts working age population. The increase in population is largest in Newham, with net migration adding almost 30,000 over the baseline projection, an increase of 7%.

Fig. 20. Baseline population forecast in 2030, with employment impact of growth scenario, Host Boroughs, levels in 000s

|	Population		Working age		Cumulative net migration	
	Baseline	**Impact**	**Baseline**	**Impact**	**Baseline**	**Impact**
Hackney	328.4	+4.1	233.2	+3.7	12.9	+1.4
Newham	411.7	+29.8	284.8	+27.1	12.6	+29.8
Tower Hamlets	377.9	+12.7	276.2	+11.5	36.5	+5.3
HB total	**2,023.3**	**+47.8**	**1,430.2**	**+43.2**	**66.6**	**+34.4**
London	**10,354.9**	**+248.2**	**6,914.5**	**+225.3**	**262.2**	**+57.4**

Source: Oxford Economics

5.3 EMPLOYMENT IMPACTS

The planned developments will have a significant impact on the Host Borough's labour market, creating over 100,000 additional jobs over the baseline forecast—an uplift of 11%. This will take the total number of jobs supported by the Host Borough to over 1 million by 2030.

Fig. 21. Employment projections, 2000-2030, Host Boroughs

Jobs (000s)
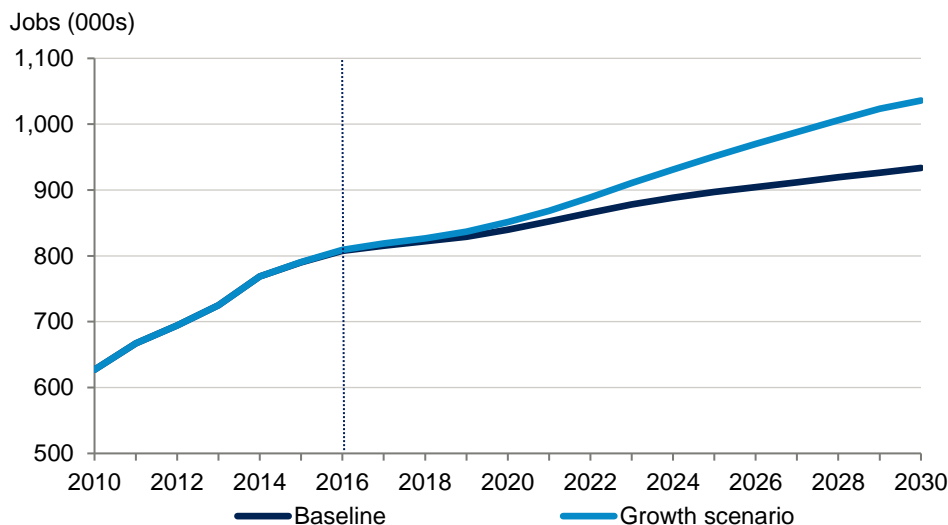
Source: Oxford Economics

+100,000

…additional jobs by 2030 over our baseline forecast , that will halve the employment rate gap to London for Newham and Tower Hamlets.

The employment impacts are concentrated within Tower Hamlets and Newham, with the projected scenario consistent with a job uplift by 2030 of 20% and 40%, respectively. This will significantly boost the labour market participation of both areas, reflected by an improvement in the respective employment rates. We forecast the employment rate of London to be 75% by 2030, so while the developments are not enough to close this gap it does lead to a significant improvement. For instance, the developments in Newham and Tower Hamlets will see the employment rate gap with London halve.

It is also worth noting that our baseline forecast expects a decline in employment rates across the Host Boroughs over the forecast period due to the exceptionally fast pace of working age population growth. The number of jobs created in the scenario would significantly reduce the decline for Tower Hamlets and the Host Boroughs average, and see the employment rate for Newham rise.

Fig. 22. Baseline employment forecast in 2030, with employment impact of growth scenario, Host Boroughs, levels in 000s

|	Employment		Employment rate	
	Baseline	**Impact**	**Baseline**	**Impact (ppts)**
Hackney	159.4	+3.5	69.9%	+1.0%
Newham	138.2	+75.3	65.3%	+7.4%
Tower Hamlets	362.4	+57.5	70.2%	+2.1%
HB total	**933.5**	**+110.7**	**67.9%**	**+2.2%**
London	**6,457.4**	**+168.3**	**75.5%**	**-0.3%**

Source: Oxford Economics

74,000 jobs

…to be created across professional services, administration, finance and insurance, and wholesale and retail. These will account for two-thirds of the additional jobs from the planned developments.

The jobs that will be created will be high value, high skill jobs. Professional, scientific and technical activities will account for the largest share of job growth on a sectoral basis, seeing an increase of just under 25,000 over the baseline by 2030, or one-fifth or all new jobs the developments are likely to create. There will also be a significant increase in administration and support, and the financial and insurance sectors, with an additional 15,000 jobs over the baseline by the end of the forecast period.

Fig. 23. Additional jobs by sector, Host Borough, 000s
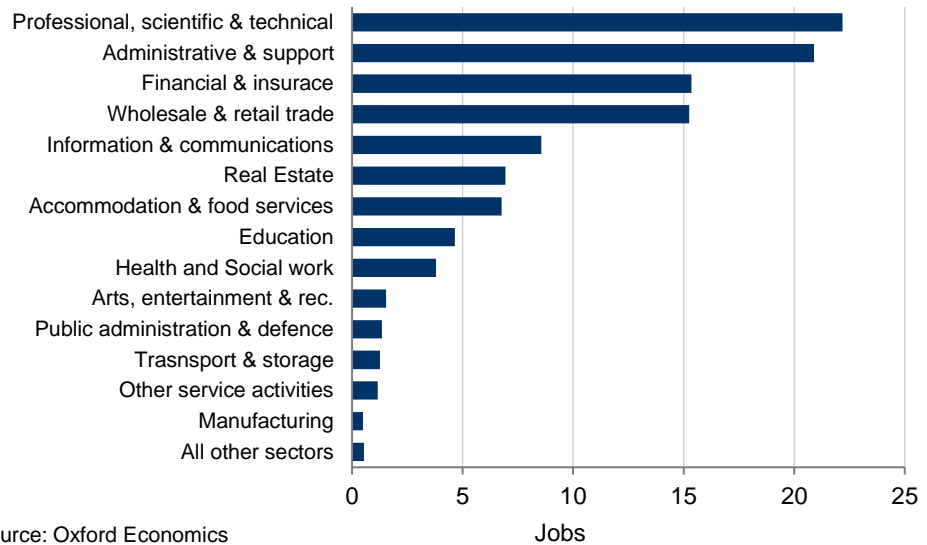
Source: Oxford Economics

The increase in the skill base reflects the industries in which the jobs will be created. Two-thirds of the additional jobs created in the Host Boroughs will require people with qualifications of NVQ4+, while only one-in-ten will need skills of NVQ1, and less than one-in-forty will be suitable for those with no qualifications whatsoever.

Creating high skill jobs in the local economy is a positive development in that it will boost the economic growth and prosperity of the Host Boroughs as a whole. However, attracting jobs that predominantly require degree level skills is unlikely to help those that are currently detached from the labour market with low-level qualifications and skills, and therefore not deal with the high rates of worklessness in the Host Boroughs.

Therefore, a strategy is needed which balances attracting jobs with a broad balance across the skill requirements, as well as arming those currently detached from the labour market with the skills they need to re-enter work is needed.

Fig. 24. Additional jobs by sector, 2016-2030, Host Boroughs, 000s.

	Hackney	Newham	Tower Hamlets	HB
NQF 4+	74.9%	64.4%	69.2%	66.4%
NQF 3	10.7%	14.0%	12.9%	13.5%
NQF 2	0.9%	1.2%	0.9%	1.1%
NQF 1	7.7%	11.6%	10.2%	11.0%
Other	4.0%	5.8%	4.4%	5.3%
No qual.	1.8%	3.0%	2.3%	2.7%
Total	100.0%	100.0%	100.0%	100.0%

Source: Oxford Economics

ANNEX A: TECHNICAL ANNEX

Baseline forecasts

The baseline forecasts used in the modelling and reported in this document are taken from Oxford Economics Local Authority District Forecasting Model. The Local Authority District Forecasting Model sits within the Oxford suite of forecasting models. This structure ensures that global and national factors (such as developments in the Eurozone and UK Government fiscal policy) have an appropriate impact on the forecasts at a local authority level. This empirical framework (or set of 'controls') is critical in ensuring that the forecasts are much more than just an extrapolation of historical trends. Rather, the trends in our global, national and sectoral forecasts have an impact on the local area forecasts.

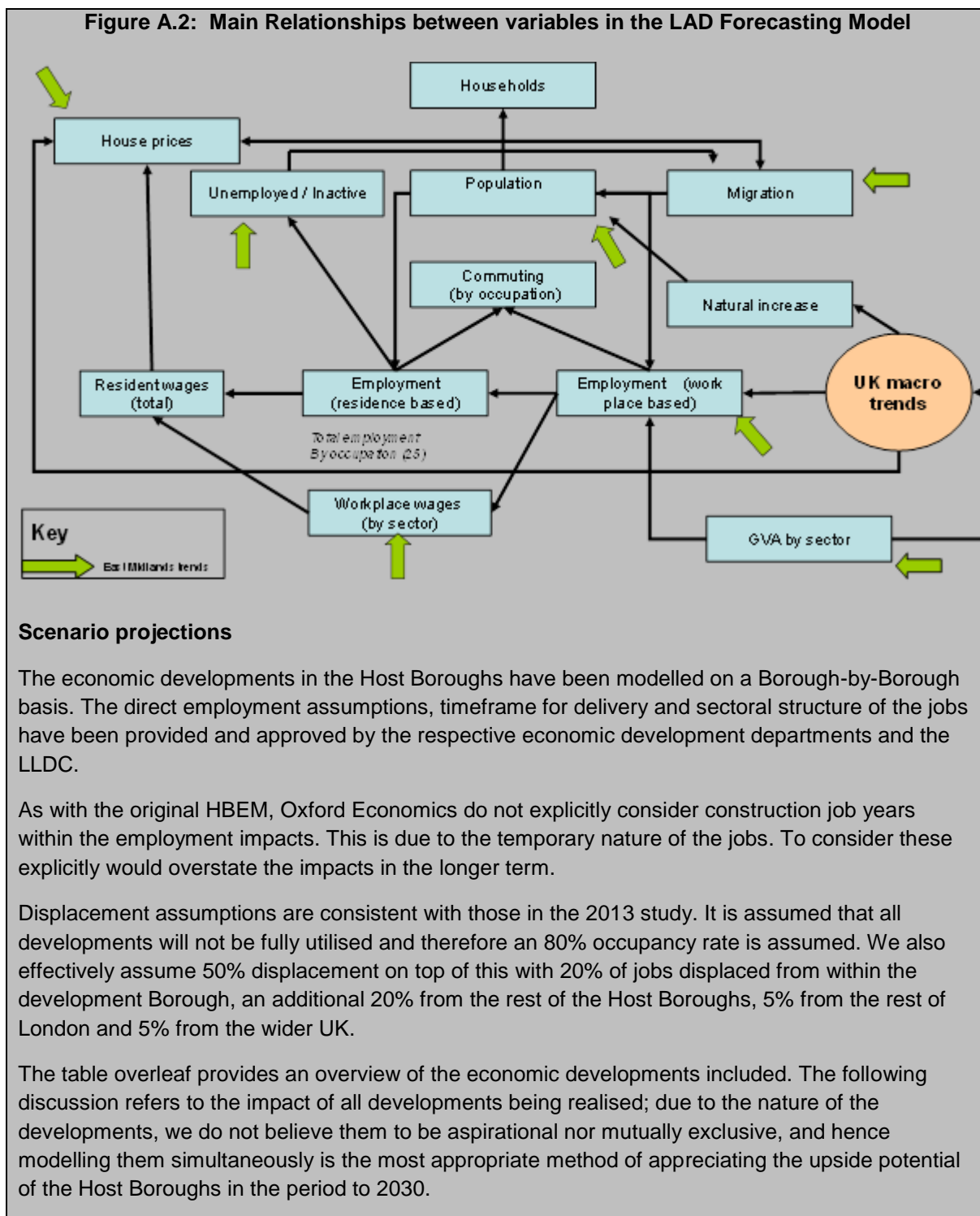**Figure A.1: Hierarchal structure of Oxford Economics' suite of models**
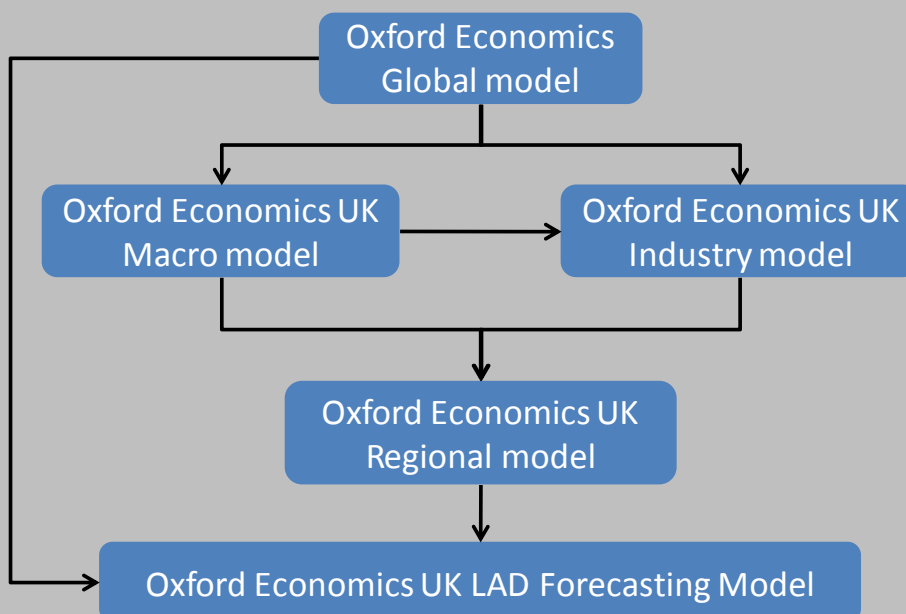
The Local Authority District Forecasting Model produces baseline forecasts. These forecasts are essentially 'policy off' projections of growth. They do not include planned developments or Government policy targets for example. Our local forecasting model depends essentially upon three factors:

- National/regional outlooks – all the forecasting models we operate are fully consistent with the broader global and national forecasts which are updated on a monthly basis;
- Historical trends in an area (which implicitly factor in supply side factors impinging on demand), augmented where appropriate by local knowledge and understanding of patterns of economic development built up over decades of expertise, and
- Fundamental economic relationships which interlink the various elements of the outlook.

Model structure

The main internal relationships between variables are summarised in Figure A.2. Each variable is related to others within the models. Key variables are also related to variables in the other Oxford Economics models.

Figure A.2: Main Relationships between variables in the LAD Forecasting Model

Scenario projections

The economic developments in the Host Boroughs have been modelled on a Borough-by-Borough basis. The direct employment assumptions, timeframe for delivery and sectoral structure of the jobs have been provided and approved by the respective economic development departments and the LLDC.

As with the original HBEM, Oxford Economics do not explicitly consider construction job years within the employment impacts. This is due to the temporary nature of the jobs. To consider these explicitly would overstate the impacts in the longer term.

Displacement assumptions are consistent with those in the 2013 study. It is assumed that all developments will not be fully utilised and therefore an 80% occupancy rate is assumed. We also effectively assume 50% displacement on top of this with 20% of jobs displaced from within the development Borough, an additional 20% from the rest of the Host Boroughs, 5% from the rest of London and 5% from the wider UK.

The table overleaf provides an overview of the economic developments included. The following discussion refers to the impact of all developments being realised; due to the nature of the developments, we do not believe them to be aspirational nor mutually exclusive, and hence modelling them simultaneously is the most appropriate method of appreciating the upside potential of the Host Boroughs in the period to 2030.