Bath & North East Somerset

Local Plan 2016 - 2036

Options Consultation

Winter 2018

Topic Paper: Employment

Contents

1. Purpose of this paper

1.1. The B&NES Placemaking Plan sets out a spatial strategy to address the housing, employment and infrastructure needs of the local authority. This paper sets out how the employment needs of the area have been assessed for the purposes of employment land capacity analysis to support preparation of the B&NES Local Plan and in support of the Article 4 Direction the council is consulting on.

2. Context

2.1. The present employment growth forecast produced for the B&NES Core Strategy, identified the need to deliver 10,300 net new jobs in the area by 2029. Supported by the objectives of the B&NES Economic Strategy the intention was to focus these jobs in a range of key high value sectors on sites identified in the B&NES Placemaking Plan.

2.2. To ensure that the Local Plan refresh has an accurate, up to date economic evidence base it has been necessary to revisit this growth forecast. Firstly to judge the historical employment growth over the plan period (from 2011) and secondly provide an updated growth forecast based on this historic growth and future economic projections underpinning the and wider council objectives supporting future employment and economic growth.

2.3. This paper shows the effects that the loss of employment space has had on the B&NES area resulting in lower; workplace wages, productivity and business birth rate than the South West. This evidence demonstrates the need for suitable employment space to provide higher value and sustainable jobs for the future.

3. Methodology

3.1. A range of data sources are made available to the public by the Office of National Statistics, and an evaluation of these data sets can be found in Table 1.

3.2. In considering the data sets it was decided to use the Interdepartmental Business Register (IDBR) released under licence from the ONS.

3.3. To judge historical employment growth between 2011 – 2016, the corresponding IDBR data sets were used to provide data sets at broad SIC code (2007) level and the geographical areas of B&NES, City of Bath, Keynsham, Somer Valley and the rural area.

3.4. The projections for employment growth are based on the historical trends available with an 80% confidence interval of the projection, this is then adjusted to reflect the strategic growth priorities of the Economic Strategy and West of England JSP and associated employment growth numbers, which then provide the final 'policy on' growth prediction. Local GVA has been added to provide an indication of relative productivity and business demography in terms of business birth and death rates to provide an indication of economic activity levels.

4. The Evidence - 2011 -2016

B&NES

4.1. Using the findings of the Lambert Smith Hampton (LSH) report 'Employment Growth - Historic and Projections' it can be seen that overall a 2.9% employment growth rate has been experienced in B&NES as a whole, which is 2,338 net jobs in actual terms. This is slightly lower than the 2,861 net jobs necessary to meet the Core Strategy growth target for this period.

4.2. The top three employment sectors have remained unchanged, however Human Health and Social Work has replaced Education as the area's top employment sector. In actual terms Administrative and Support Services have seen the highest level of growth with 2,403 net new jobs, whereas the largest reduction has been experienced in Public Administration and Defence, with a net loss of 3,561 jobs.

Employment size band

4.3. The majority of B&NES businesses fall within the Micro (0-9 employees) category. This has not changed during the period (2011 89.3%, 2016 89.2%). There has been an increase in all sizes of businesses in B&NES, with the total number of businesses rising almost 15%. The increase has not been evenly distributed between the different size bands, with an almost 19% increase in small businesses (10-49 employees) but only a 5% increase in the number of medium size (50-249 employees) businesses. This is a smaller percentage increase than the level for England (20% for small businesses and 21% medium businesses). The total increase of English businesses during the period was 24%. Details in Table 2.

Wages

4.4. Average (median) workplace wage (total – full and part time) in B&NES (£429 in 2018) is lower than the resident average (£443.9 in 2018) an imbalance reflecting the out commuting of residents to higher paid jobs elsewhere in the region and London. When census travel to work data is explored[1] it shows that there is a positive net change of 5,034 people (inflow 29,272 and outflow 24,238) in B&NES. The top out commuting destinations are Bristol, South Gloucestershire and Wiltshire. Workplace wages in B&NES are lower than both the West of England (£469.5) and the England (£465.9) averages, but are slightly higher than the average for the South West (£432.2). Similarly resident wages in B&NES (£443.9) are lower than both the West of England (£457.8) and England (£466) averages, and higher than the South West (£430.7). During the period (2011 -2018) there has been a higher increase in the B&NES area for resident wages, than both England and the South West (16.6% B&NES, 14.89% England, % 16.06 South West).

[1] https://www.nomisweb.co.uk/census/2011/WU03UK/chart/1132462102

Whereas the B&NES workplace average (10.68%) has not experienced the same level of growth as the South West (16.65%) or England (15.01%). Details in Table 3.

Productivity

4.5. Low productivity has been a recent phenomenon in the UK[2]. To explore this at the local authority level the proxy of Gross Value Added (GVA) per head has been used. This measure shows the pound value of GVA per head of the population within an authority area. When this measure is used B&NES is consistently below that for Bristol and South Gloucestershire, albeit above the level for the neighbouring authority area of North Somerset. This can be explained by the higher rate of employment, in service sectors such as retail and tourism, which are traditionally lower in productivity. Details in Table 4.

Business Activity Rate

4.6. The business birth rate, a good approximation of the economic strength of the economy, in B&NES has been lower for the entire period 2011-2016 than the rate for the South West and England. The business birth rate for B&NES increased from 2011 to 2013 and then decreased slightly between 2013 and 2016. This trend largely follows that of the regional and national business birth rates for the period, albeit at a lower rate. Equally the business death rate for B&NES is again lower than that for the comparator areas.

4.7. The one year business survival rate for B&NES is broadly in line with the South West and English averages between 2011 -15. However the 2-5 year rates for B&NES are marginally higher than the South West and markedly higher than the rate for England. Details in Table 5, Table 6 and Table 7.

Employment and economic inactivity

4.8. The employment rate for B&NES (2011 70.1% 2016 76.7%) is below that of the West of England and the South West, but broadly in line with the rate for England. However, the unemployment rate within B&NES is lower than the West of England, South West and English averages. This can be explained by the fact that B&NES has a higher rate of economic inactivity. This higher rate of economic inactivity can, in the most part, be explained by the higher proportion students within this group (2017 40.3% B&NES 34.4% West of England). Details in Table 8, Table 9, Table 10 and Table 11.

4.9. Overall the B&NES area has relatively low unemployment but also low workplace wages and low productivity rates when compared to regional averages.

Employment Growth Overview

4.10. The following section uses the findings of the LSH report 'Employment Growth - Historic and Projections' to explore the changes in employment in B&NES between 2011-2016 and growth projections for the 2016-36 period.

2 https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06492

5. Historic Growth 2011-2016

Bath City

5.1. The City has experienced the lowest level of employment growth in B&NES with just 159 net new jobs or just 0.2%. As the largest urban and employment area in B&NES the mix of employment sectors mirrors that of the area as whole with the top three employment sectors of Human Health, Wholesale and Retail and Education.

Keynsham

5.2. The top three employment sectors have remained unchanged, as wholesale retail, public administration and administration. Despite the loss of employers such as Cadburys Keynsham has achieved the second largest net employment growth rate of 5% and a job increase of 334.

Somer Valley

5.3. The Somer Valley has experienced the third largest net employment growth rate since 2011 at 3.2%, an increase of 365 jobs, and has maintained its position as the industrial and manufacturing centre for the district, despite the Manufacturing sector being replaced by Wholesale and Retail as the largest sector in the Somer Valley.

Rural Area

5.3.1. The rural area experienced an net employment growth rate of 18%, the highest level across B&NES over the study period and a jobs increase of 1,501. Education, Wholesale Retail and Accommodation and Food Services are the top three sectors. Administrative and Support Services experienced a 97% growth rate, which is over three times higher than any other sector.

6. Projected Growth 2016 -2036

6.1. Using the ‘Policy On’ methodology outlined in paragraph 3.4, B&NES as a whole is expected to see a net growth of 12,500 jobs between 2016 -2036, which represents a 15% increase. Human health and social work activities, Wholesale and retail trade and Education remain as the top three employment sectors.

Bath

6.2. The Professional, Scientific, and Technical Activities sector is expected to have the highest growth in terms of number of jobs in Bath City with approximately 1,880 jobs between 2016 and 2036, an approximate 35% increase (94 jobs per year). The Administrative and Support Service Activities sector is expected to have the second highest growth in terms of number of jobs (1,800) for the same period at 49% increase overall or 90 jobs per annum.

6.3. The Financial and Insurance Activities sector is expected to have the highest growth in terms of a percentage increase. For the same period in the Bath City area the sector is predicted to grow by 80%, translating to 1,527 jobs overall or 76 jobs per year.

6.4. The Agriculture, Forestry, and Fishing; Electricity, Gas, Steam, and Air Conditioning Supply; Other Service Activities; and Water Supply, Sewerage, Waste Management and Remediation Activities sectors are thought to remain static until 2036 with no increase or decrease projected for these sectors in the Bath City area.

6.5. Public Administration and Defence; Compulsory Social Security sector is the only other sector that is projected to suffer a loss of jobs between 2016 and 2036, estimated to be 153 jobs overall, or a 18% loss or -8 jobs per annum.

Somer Valley

6.6. The Manufacturing sector is predicted to have the greatest overall increase in number of jobs between 2016 and 2036 with 762 jobs (45% or 38 jobs per annum), followed by Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles with an increase of 392 jobs (18% or 20 jobs per annum), and Administrative and Support Service Activities with an increase of 218 jobs (21% or 11 jobs per annum).

6.7. The Accommodation and Food Service Activities; Arts, Entertainment and Recreation; Construction; Mining and Quarrying; Other Services Activities; Public Administration and Defence, Compulsory Social Security; Water Supply, Sewerage, Waste Management, and Remediation Activities are projected to remain static until 2036.

6.8. The Agriculture, Forestry, and Fishing sector is projected to completely disappear from the Somer Valley by 2036, with a loss of 9 jobs.

Keynsham

6.9. The Administrative and Support Service Activities sector is expected to have the highest overall increase in the number of jobs within Keynsham. Projected to increase by 412 jobs between 2016 and 2036; an increase (53% or 21 jobs per annum). This is followed by the Information and Communication sector. This is projected to have an increase of 322 jobs, representing the highest percentage increase in the area at 398%.

6.10. Mining and Quarrying; Public Administration and Defence, Compulsory Social Security; and Water supply, sewerage, waste management and remediation activities are anticipating a decrease in jobs in Keynsham. The Agriculture, Forestry, and Fishing sector is expected to completely disappear by 2036 in Keynsham.

Rural Areas

6.11. Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles is expected to have the highest increase of 382 jobs between 2016 and 2036 (33% or 19 jobs per annum). A number of sectors are expected to remain static between 2016 and 2036.

6.12. Public Administration and Defence, Compulsory Social Security; Water Supply, Sewerage, Waste Management, and Remediation Activities; and Mining and Quarrying will experience a decrease in number of jobs between 2016 and 2036 in the Rural Areas.

7. Employment floorspace losses over the period

Summary of Losses

7.1. A recent LSH and Hardisty Jones Associates (HJA) report 'Research to support options to protect present and future employment sites' has highlighted the extent of the losses of employment space within B&NES.

7.2. 'Monitoring records clearly show the scale of losses of B Use Class floorspace across B&NES as a whole and the city of Bath in particular. The rate of losses is far exceeding the levels anticipated within the B&NES Core Strategy. 93% of the anticipated losses of office floorspace and 77% of anticipated industrial and warehouse floorspace have taken place within the first 27% of the plan period. The development of new floorspace is well behind anticipated levels, which creates a significant risk to the sustainable economic development of the city of Bath in particular. This enforces the need to protect existing employment land and ensure the delivery of the employment sites identified in the Placemaking plan.'

7.3. It goes further to say that, 'expert commercial market view is that the city of Bath has reached a tipping point where further losses risk the level of commercial stocks falling below the critical mass required to both attract new and retain existing occupiers. Whilst there are pipeline development schemes that will introduce new office stock to the city there is no such pipeline for industrial and warehousing development and no identified sites to accommodate such growth. There is therefore a need to strongly protect remaining stock as well as identifying sites to facilitate new industrial and warehousing development.'

7.4. The evidence shows the extent of the issue within the B&NES area and the potential detrimental effects which will perpetuate unless addressed. The lack of a pipeline of industrial and warehousing space results in the existing stock becoming pivotal to the economic health of the authority area.

7.5. The report then outlines the gains and losses of employment space during this period. Outlining that in B&NES these losses have been significant.

B&NES

7.6. 'In net terms, there has been a loss of 70,655 sqm of B Use Class floorspace over the ten-year period from ? to?, equivalent to 7,065 sqm per annum. This includes a net gain of 4,869 sqm of office space and a substantial loss of 75,520 sqm of industrial and warehouse space. The majority of the net gains in offices were achieved in the first five-years, with the most recent five-year period indicating only a modest gain of 552 sqm of office floorspace. The most recent period has also included the vast majority of net industrial and warehouse losses, with a net 70,341 sqm of floorspace lost'.

7.7. Evidence within the West of England JSP: Additional and Updated Employment Evidence Report shows that that although all areas have suffered employment space losses there is significant differentiation between areas in terms of replacement of employment land. 'Bristol (both City Centre and Rest of) achieving 29% on-site replacement compared to 11% in South Gloucestershire and 6% in B&NES.'

7.8. This evidence highlights the significant losses of employment space which the authority area has suffered; with a lack of replacement which has the potential to stymie the economic health of the area.

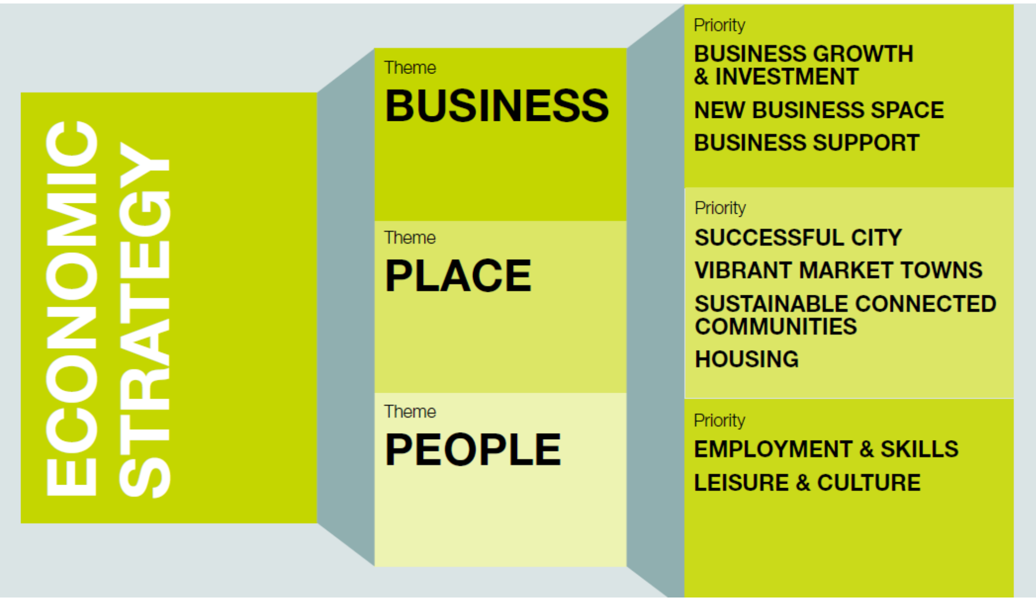
Article 4

7.9. In order to help stem the trend of office floor space losses to residential the Council is currently consulting on the introduction of an Article 4 Direction removing office to residential change of use permitted development rights in Bath city centre.

7.10. The Council has made an Article 4 Direction to remove new permitted development rights in respect of office conversions to ensure that any such development will need to be considered through the normal planning application process and against the development policies in the Council's Local Plan documents. The aim of this policy is to ensure that any loss of office space can be weighed up against other council policies and priorities.

Economic Strategy

7.11. The B&NES Economic Strategy Review 2014 -2020 sets out a clear vision for the local economy focussing on the three strategic economic themes of People, Place and Business, recognising that economic growth is being restricted by an underperforming economy with low levels of productivity and work place wages and a limited supply of suitable business space.



7.12. The Economic Strategy will shortly be refreshed for the 2018 -2022 period. This refresh will reflect the new developments which comprise significant amounts of employment space within the area, including the upcoming programme of works at Bath Quays North, Bath Quays South and the Roseberry Place and Strata projects. It will also outline the further losses of employment land to permitted development rights and Purpose Built Student Accommodation (PBSA). The strategy will also incorporate the aspiration for all B&NES residents to have the opportunity to participate in and benefit from inclusive growth which will have economic, social and fiscal benefits to the area.

7.13. The Economic Strategy refresh will include and further explore the employment growth forecasts to 2036 developed by LSH from the ‘Employment Growth - Historic and Projections’ report and the findings of the JSP and local plan review; to ensure that a holistic picture of the future economy is evidenced.

7.14. The West of England Combined Authority and the West of England Local Enterprise Partnership are working with the Local Authorities and Central Government to develop a Local Industrial Strategy (LIS) to deliver the region’s ambition to be a driving force for clean and inclusive growth. The Economic Strategy refresh will draw on emerging findings from the West of England LIS, for the B&NES area, around employment and skills trends and future growth industries.

7.15. The findings of the Economic Strategy refresh, West of England LIS and associated further evidence will inform later iterations of the Local Plan and be reflected in relevant versions of the supporting employment topic paper.

8. Local Plan Policy options

8.1. As the main Local Plan Options Document states ‘there are limited opportunities to make further provision of employment land and therefore, protecting both existing and committed office and industrial space in the city will be of high importance, especially in the context of losses and pressure from new PBSA’ .There is also the proposal to increase levels of protection for existing industrial sites elsewhere across B&NES. In terms of new employment land opportunities for Keynsham, the North Keynsham Strategic Planning Framework proposes a ‘mixed employment development’. For Whitchurch ‘opportunity to create a ‘digital hub’ that provides workspaces and meeting rooms for the wider rural community’. For the Somer Valley the current vision is for ‘economic led revitalisation’ with the Spatial Priority of ‘Increase employment opportunities by delivering the planned additional employment floorspace in the Somer Valley Enterprise Zone and provide greater protection of existing office and industrial space.

9. Conclusion

9.1. Overall the B&NES area has a varied economy with a strong business population and higher than average business survival rate. The projected sectors of future employment growth are varied throughout the areas within the authority indicating sustainable economic growth going forward.

9.2. Despite having a low unemployment rate the area suffers from low productivity and low workplace wages when compared to regional and national averages. The higher resident to workplace wage rates suggest out-commuting by residents to higher value jobs.

9.3. The loss of employment land throughout the 2011-16 period has been significant and equivalent replacement land has not been delivered. A lack of suitable ‘start up’ and ‘grow on’ space for local businesses could stymie future economic growth. Although there are a number of large scale office developments planned for the B&NES area these are at least 2 years from completion. There are also no comparative schemes for new industrial or warehousing space. As the LSH/HJA report notes, if unaddressed this could have a significantly detrimental effect on the areas economic health of the area. This in turn could impede the area’s ability to deliver on the economic and prosperity aims of the planning strategies relating to B&NES such as the Placemaking Plan and JSP.

Data	Source	Data included	Date Range	Benefits	Geography	Issues
Business Register & Employment Survey (BRES)	ONS/ NOMIS	Provides employee and employment figures to 5 digit SIC code at a work place level only.	2009 -2015	Provides employment change in range of geographies. Defined as 'official labour market statistics.	LSOA to national	• Methods of data collection changed in 2009, making it difficult to compare pre 2009. • Only includes companies paying PAYE or VAT excludes sole traders. • Accuracy diminishes considerably as geographies reduce. • Survey base • Only available as work place measure
Annual Population Survey / Work Place Survey	ONS/NOMIS	Resident and work place employment at broad SIC level	2004 - 2016	Only single data set that can provide resident and work place employment	Local Authority to National	• Data set is a survey and at small geographies (LAs) is very unreliable with very large confidence intervals. • Work place data is smaller survey sample size with greater confidence intervals. • Unable to carry out analysis at ward level.
IDBR	ONS	Full employment, employee and business unit detail including post code and MLOA/ Ward codes and 5 digit SIC codes	?- 2016	Data taken directly from company house records, non model based providing a higher level of accuracy	MLOA , Ward , local authority	• Potential for registration of company HQs to exaggerate employment levels. • Only available as work place measure. • Only includes companies paying PAYE or VAT
Regional Gross Value Added (Balanced) by Local Authority in the UK	ONS	Estimates of Balanced Gross Value Added, in current basic prices, allocated to local authorities in the UK	1998 - 2016	Provides a comparative measure of productivity	Local Authority, Regional to National	• Per head data can be subject to distortion due to commuting and population demographics • Cannot read across per head GVA to Total GVA for areas as the latter is rounded and the former is not

Table 1: Data sets evaluation

Appendix 1 – Growth Tables

	Bath and North East Somerset			England		
	2011	**2016**	**Change (%)**	**2011**	**2016**	**Change (%)**
Micro	6,290	7,195	14.39%	1,582,815	1,975,950	24.84%
Small	615	730	18.70%	161,745	194,495	20.25%
Medium	100	105	5.00%	28,745	34,705	20.73%
Large	35	40	14.29%	7,515	8,500	13.11%
Total	7,040	8,065	14.56%	1,780,825	2,213,650	24.30%

Table 2 Enterprise Numbers 2011 – 2016

	Workplace				Resident			
	Bath and North East Somerset	**West of England**	**England**	**South West**	**Bath and North East Somerset**	**West of England**	**England**	**South West**
2011	387.6	-	405.1	362.8	380.5	-	405.6	371.1
2018	429	469.5	465.9	423.2	443.9	457.8	466	430.7
change	10.68%	-	15.01%	16.65%	16.66%	-	14.89%	16.06%

Table 3 Average total weekly pay (Median)

Area	2011	2012	2013	2014	2015	2016
Bristol, City of	27096	28215	28825	30958	30426	31513
Bath and North East Somerset	23062	24008	23652	24569	24715	25595
North Somerset	18824	19659	19921	21811	22071	22882
South Gloucestershire	29718	29613	30399	32643	31556	33394

Table 4 Gross Value Added (Balanced) per head by Local Authority (£) 2011-2016

	2011	2012	2013	2014	2015	2016
Bath and North East Somerset	9.4	9.3	12.2	11.2	11.5	11.4
South West	9.6	9.8	12.2	11.7	11.8	13.6
England	11.4	11.6	14.4	14.0	14.7	15.0

Table 5 Enterprise birth rate 2011 – 2016

	2011	2012	2013	2014	2015	2016
Bath and North East Somerset	8.5	9.7	8.3	8.4	8.8	9.9
South West	9.2	9.9	9.1	9.0	9.8	10.2
England	9.9	10.7	9.8	9.7	10.7	11.7

Table 6 Enterprise death rate 2011 -2016

Age of Business	Year of Birth				
B&NES	**2011**	**2012**	**2013**	**2014**	**2015**
1	93.2	92.5	94.8	93.4	90.7
2	77.7	77.6	77.8	78.7	
3	64.9	63.9	68		
4	54.1	57.14			
5	48.6				
England					
1	93.1	91.1	93.5	92.2	89.6
2	75.5	73.7	75.1	75.8	
3	60.4	59.2	60.8		
4	50.8	50.21			
5	44.0				
South West					
1	93.8	92.2	93.8	92.9	91.1
2	77.4	75.7	76.8	77	
3	63	61.8	63.2		
4	53.3	52.88			
5	47				

Table 7 Business Survival rate

	Bath and North East Somerset	West of England	South West	England
2011	70.1	73.1	73.6	70.0
2017	76.7	78.7	78.6	75.1

Table 8 Employment Rate – percentage aged 16-64

	Bath and North East Somerset	West of England	South West	England
2011	4.7	7.1	8.1	6.1
2017	2.2	3.9	4.5	3.4

Table 9 Unemployment rate - aged 16-64

	Bath and North East Somerset	West of England	South West	England
2011	26.4	21.3	21.6	23.7
2017	21.6	18.2	18.6	21.4

Table 10 Percentage who are economically inactive - aged 16-64

	Bath and North East Somerset	West of England	South West	England
2011	39.0	28.4	22.4	25.0
2017	40.3	34.4	27.2	27.1

Table 11 Percentage of those economically inactive – aged 16 -64 – Student