

Swindon and Wiltshire Local Economic Assessment

March 2022

8

Future Trends





By 2043 it is estimated that there will be over 800,000 people living in Swindon and Wiltshire, a large share of this population will be over 65 (+49% by 2043) bringing with this the specific needs of an older demographic that must be met.

By 2027 estimates suggest there will be 382,000 people employed in Swindon and Wiltshire. Future employment is anticipated to be in Business and Other Services, Trade, Accommodation and Transport, Non-Marketed Services.

Demand will be most pressing in managerial and professional occupations in Swindon and Wiltshire, ensuring future employment demand is satisfied will be important to ensuring commercial success for Swindon and Wiltshire's future businesses and the overall economic wellbeing of the LEP area.

Uncertainty is clouding future economic projections, with specific focus on employment projections for Wiltshire, it is clear that there exist a wide range of estimates of where employment will be (by absolute count) in the next two decades.

COVID-19 caused the Swindon and Wiltshire economy to contract by 8%. Recovery scenarios vary considerably, but expectations are that growth will return to pre-COVID levels before the middle of the current decade.

The low carbon economy will grow in importance in Swindon and Wiltshire both economically and socially. It is expected that one in five jobs will be impacted by climate change and decarbonisation. Furthermore, new jobs are expected to be created in the Decarbonisation, Low Carbon and Wider Green economy.

277,000 jobs are exposed to automation risks in the LEP area, with 78% of jobs at medium to high risk of automation in Swindon and 67% of Wiltshire jobs at medium to high risk of automation in Wiltshire. This may present both challenges in terms of labour market demand, but also the opportunity to create high skilled jobs that are enabled through automated innovation processes.

EU exit will bring labour market challenges alongside trading opportunities. The LEP area must ensure any gaps in the labour market created by Brexit are filled to ensure business continuity. There is also scope to tap into global trading networks and build on the LEP area's positive trade balance with markets outside of the European Union.

Ensuring adequate housing is provided to current and future residents of Swindon and Wiltshire will be crucial to enabling a strong pool of labour, both Swindon and Wiltshire local plans are currently under review. This will allow for an evidence base on which to ensure future housing supply can keep up with future housing needs.

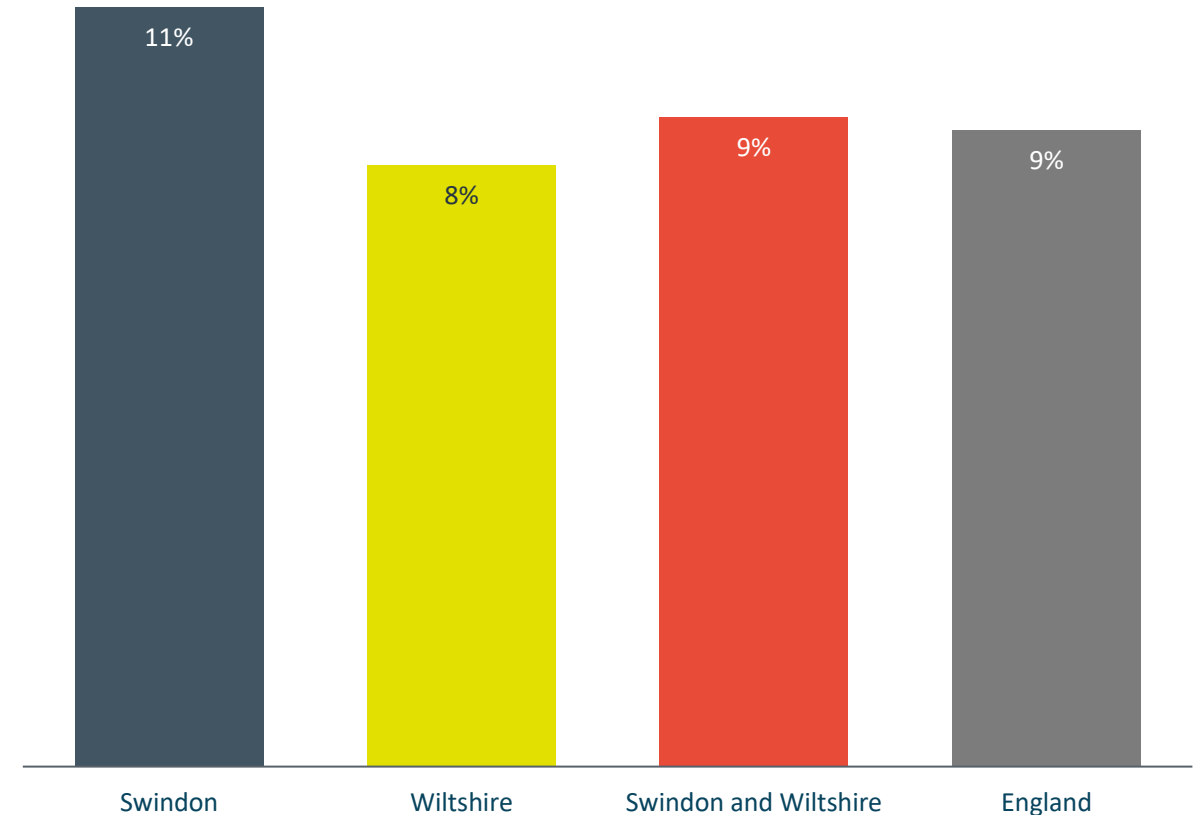
Swindon and Wiltshire's Future

By 2043 it is estimated that there will be over 800,000 people living in Swindon and Wiltshire.

This equates to a population increase of **67,000** people between 2020-2043 (+9%).

Overall, growth is estimated to be in line with national averages. Though Swindon will see growth of its population outstripping national projections.

Projected change in total population (%), 2020-2043



Source: Population Projections, ONS, 2020



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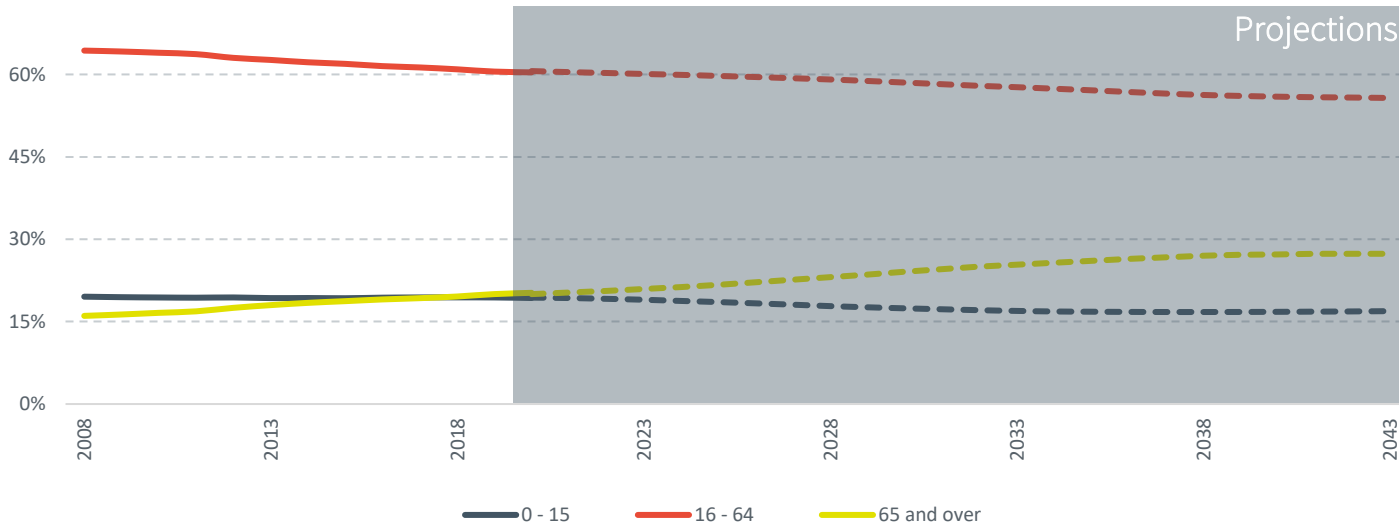
The majority of this growth is amongst the older demographics, with over 65s seeing growth of 49% between 2020 and 2043...

Meanwhile, the working age cohort is expected to see its population remain broadly static over the next two decades.

The working age demographic in Swindon and Wiltshire will fall as a proportion of the population from 61% in 2020 to 56% in 2043, while the older population over 65 will account for 27% of the population in 2043, up from 20% in 2020.

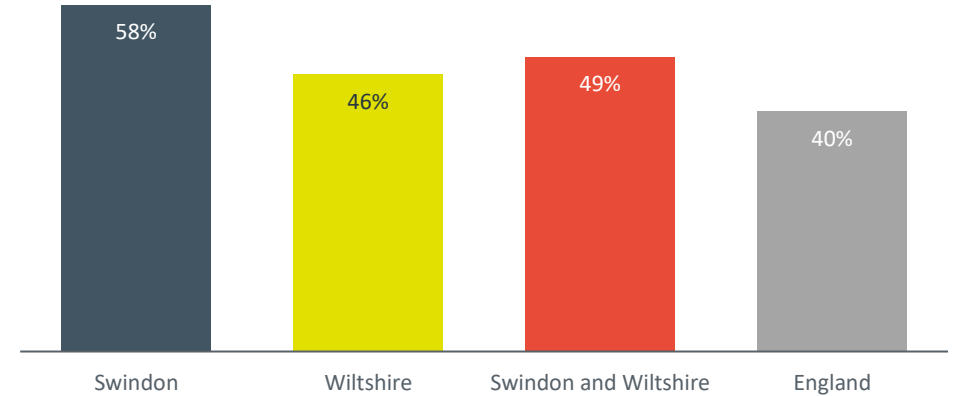
The future Swindon and Wiltshire labour market will include a smaller potential pool of labour supply while greater demand for social care and healthcare will rise due to greater need from the older population.

Proportional Population Growth Estimates by Demographic

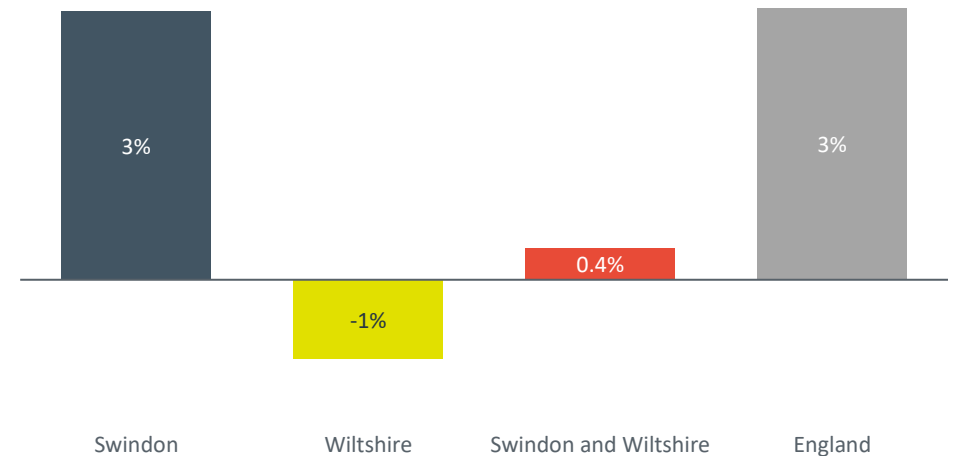


Source: Population Projections, ONS, 2020

% Projected Change in Aged 65+ Pop. 2020-2043



% Projected Change in Working Age Pop. 2020-2043



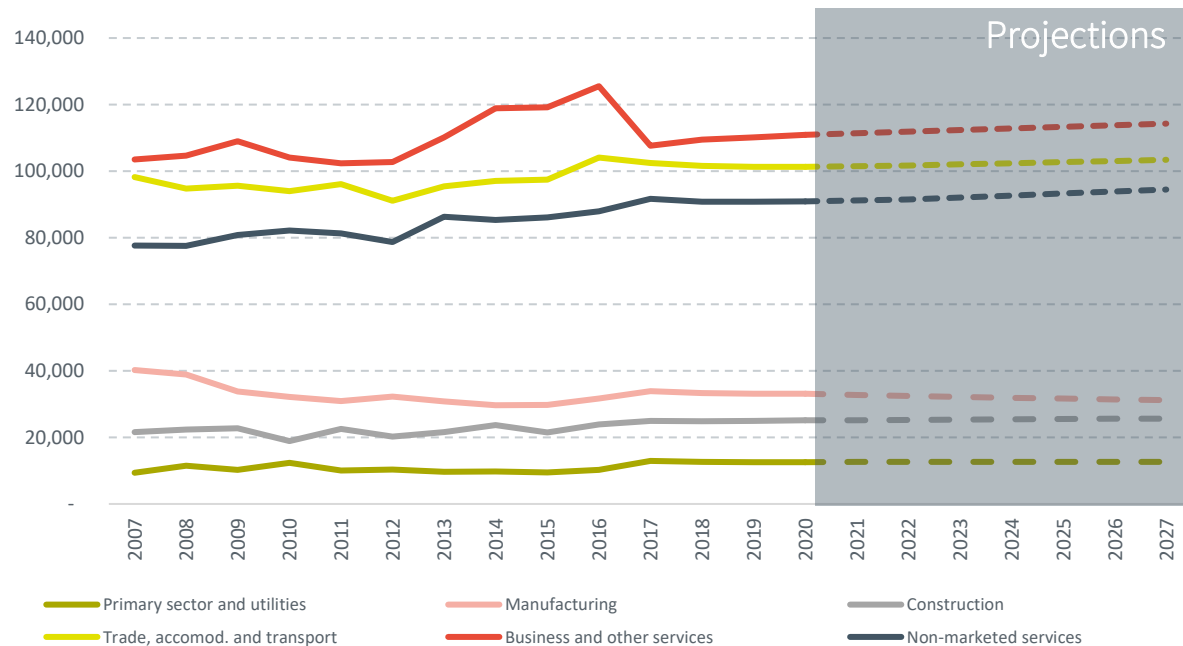
Swindon and Wiltshire's Future

By 2027 estimates suggest there will be 382,000 people employed in Swindon and Wiltshire...

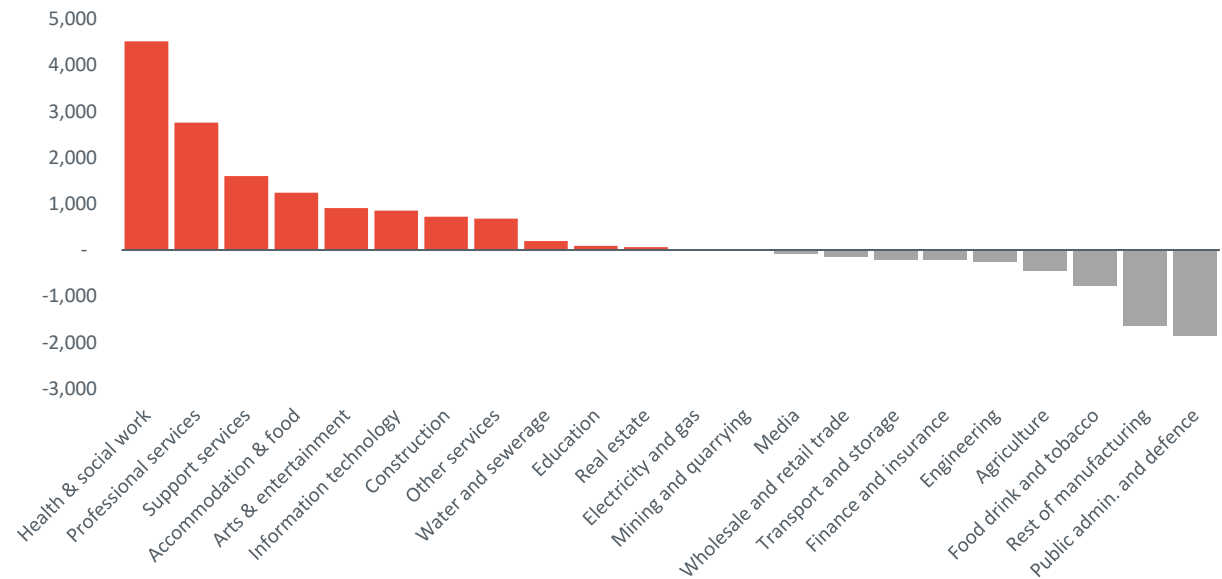
Large sectors of employment include Business and Other Services, Trade, Accommodation and Transport, Non-Marketed Services. This future demand for labour can be broken down in to two main components:

- 1. Expansion demand:** additional workers required as a result of future jobs growth in Swindon and Wiltshire. Sectors including Health, Professional Services, Support Services, Accommodation and Food amongst others will experience an increase in jobs demand in the near future. While sectors such as Food, Drink and Tobacco, Agriculture and Public Admin are forecast to contract.

Employment Projections, 2017-2027



Projected Sectoral Employment Change/Expansion Demand, 2017-2027



Source: Working Futures

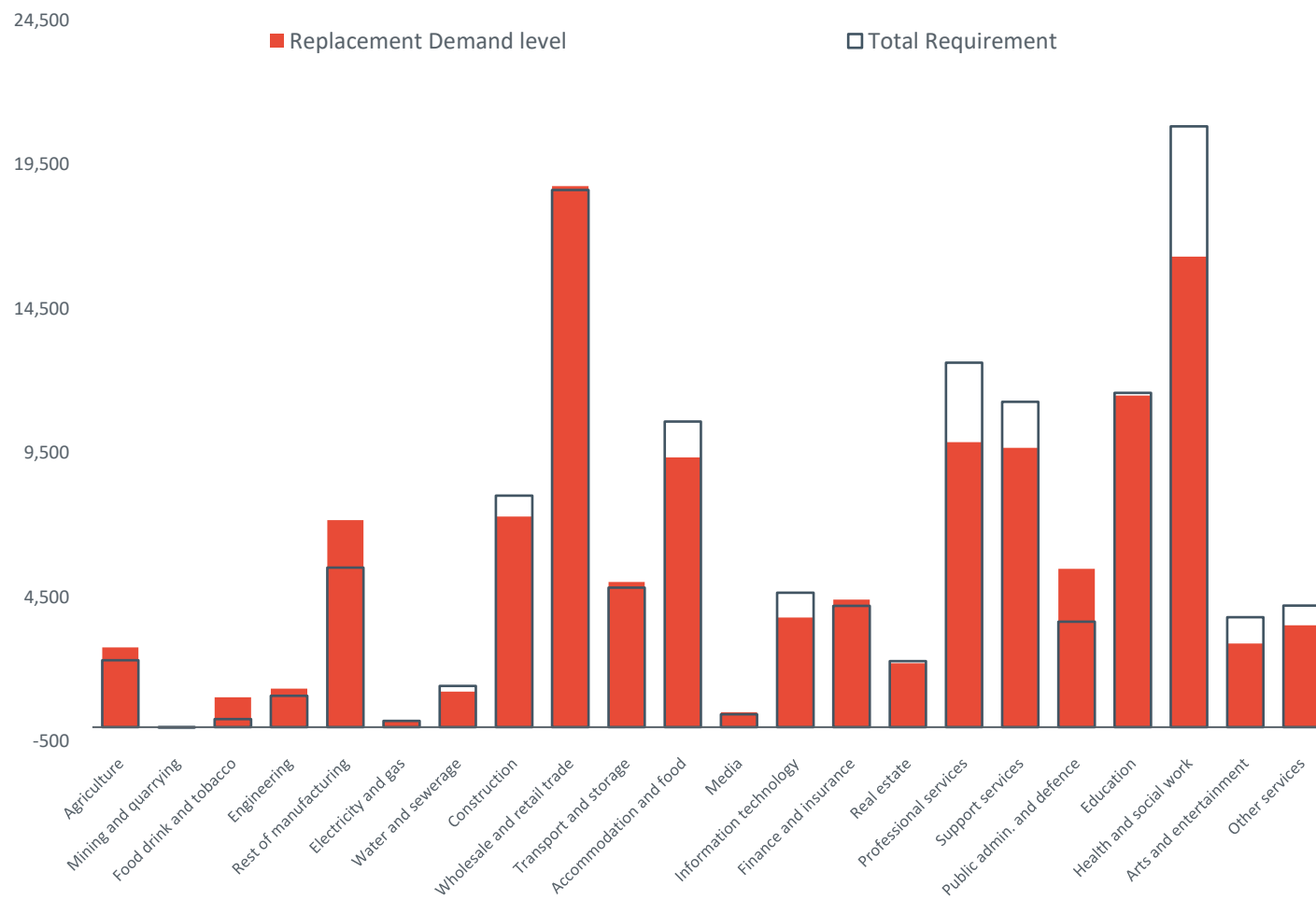
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2. Replacement demand and requirements:

replacement demand is the labour required to replace people leaving the workforce (eg through retirement). While demand requirements suggest the skills need in each sector. In eight sectors of the Swindon and Wiltshire economy, it is estimated that replacement demand will not sufficiently fill labour gaps meaning sectors including Health and Social Work, Accommodation and Food, Professional Services will need to find additional labour sources to meet employer needs.

Looking at the more immediate term the Employer Skills Survey suggests skills demands will be impacted by macroeconomic changes, for example, 18% of Swindon and Wiltshire employers expect there to be a need for new skills due to EU exit.

Forecast Replacement Demand and Requirements by Sector 2017-2027



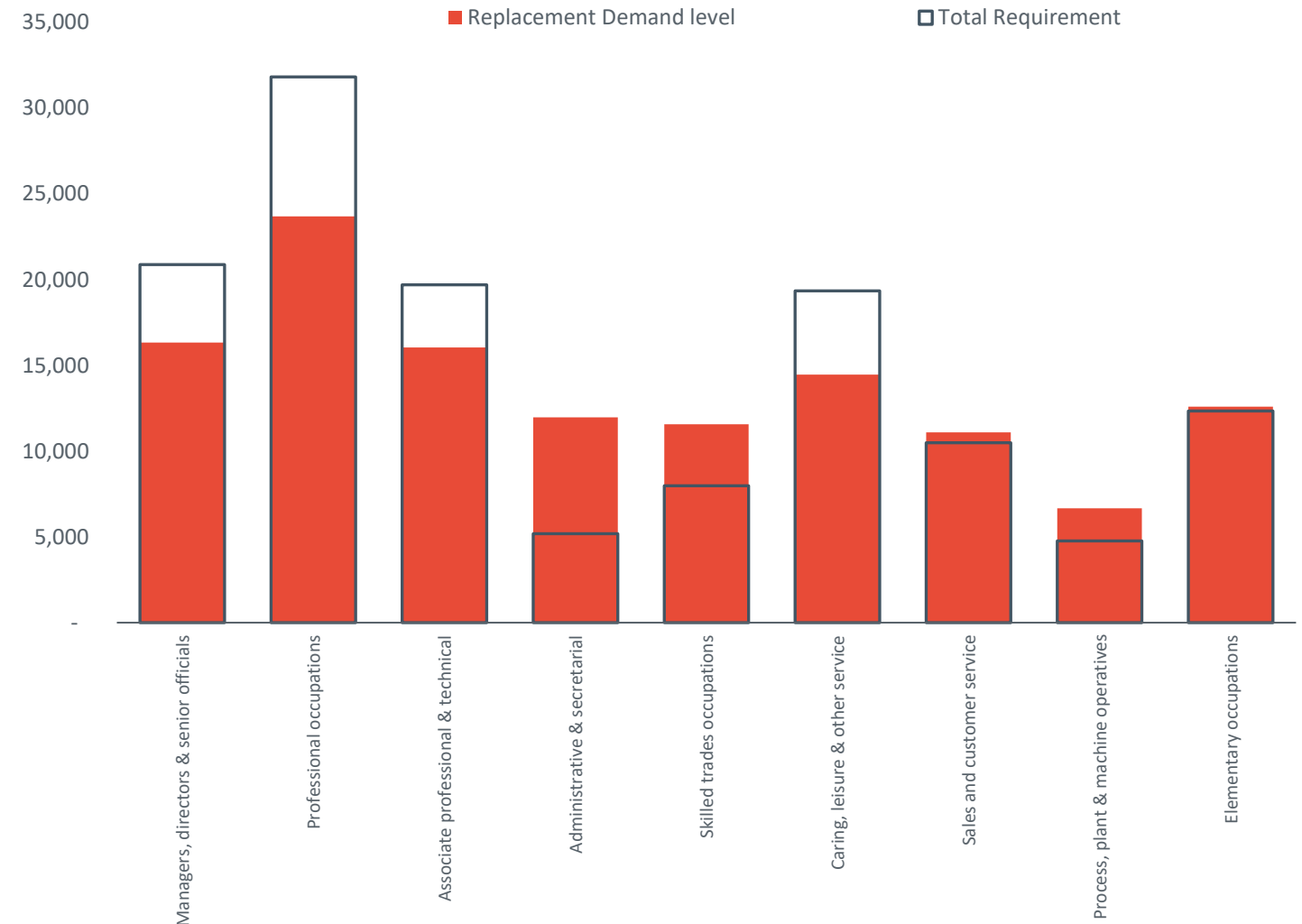
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Demand will be most pressing in managerial and professional occupations in Swindon and Wiltshire...

Examining the type of skills expected to be in demand in Swindon and Wiltshire shows that there will be a need for 53,000 jobs, 40,000 of which will be based on replacement demand and 13,000 due to expansion.

In the shorter term, two in five employers in the LEP area have expressed an emerging need for new skills to satisfy new technologies, products and new working processes. Filling these skills gaps will contribute to productivity improvements as they will better able Swindon and Wiltshire employers to harness the economic advantage of more efficient business practices and bring innovative, and potentially, market-disrupting new products to market. Most of these new skills are anticipated to be amongst managers, directors and senior officials with 38% of businesses stating new skills needs are mostly among this bracket of the labour market.

Forecast Replacement Demand and Requirements by Occupation, 2017-2027



Source: Working Futures; Employer Skills Survey, 2019



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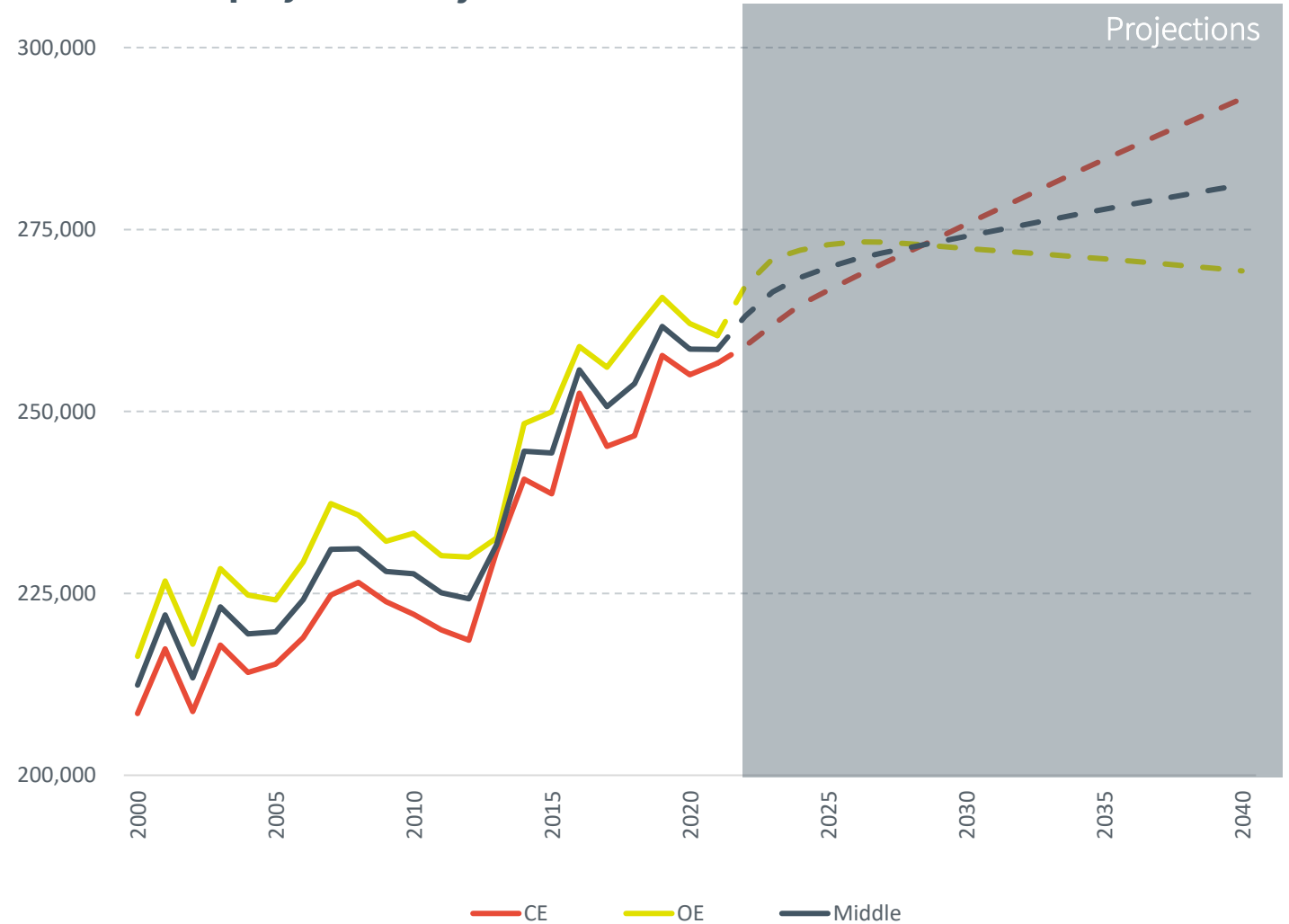
Uncertainty is clouding future economic projections...

A further indicator of employment change uses modelling based on past trends alongside anticipated macroeconomic changes. This data is currently only accessible for Wiltshire and not for Swindon.

Employment projections for Wiltshire estimate the volume of employment in the next two decades. Upper estimates (Cambridge Econometrics) suggest that employment levels will continue to increase in Wiltshire to over 292,000 in 2040, while lower estimates suggest employment will peak at 273,000 in 2025 and then begin a downwards trend.

These two differing estimations reflect the scale of uncertainty present in the Wiltshire economy at present, and going forward. This is likely a result of several factors, with changes in productivity being significant. Due to the important role of productivity in employment, and changing labour needs due to efficiencies found through innovation, estimating the level of employment in the future cannot be done without a high degree of uncertainty.

Wiltshire Employment Projections



Source: Oxford Economics and Cambridge Econometrics



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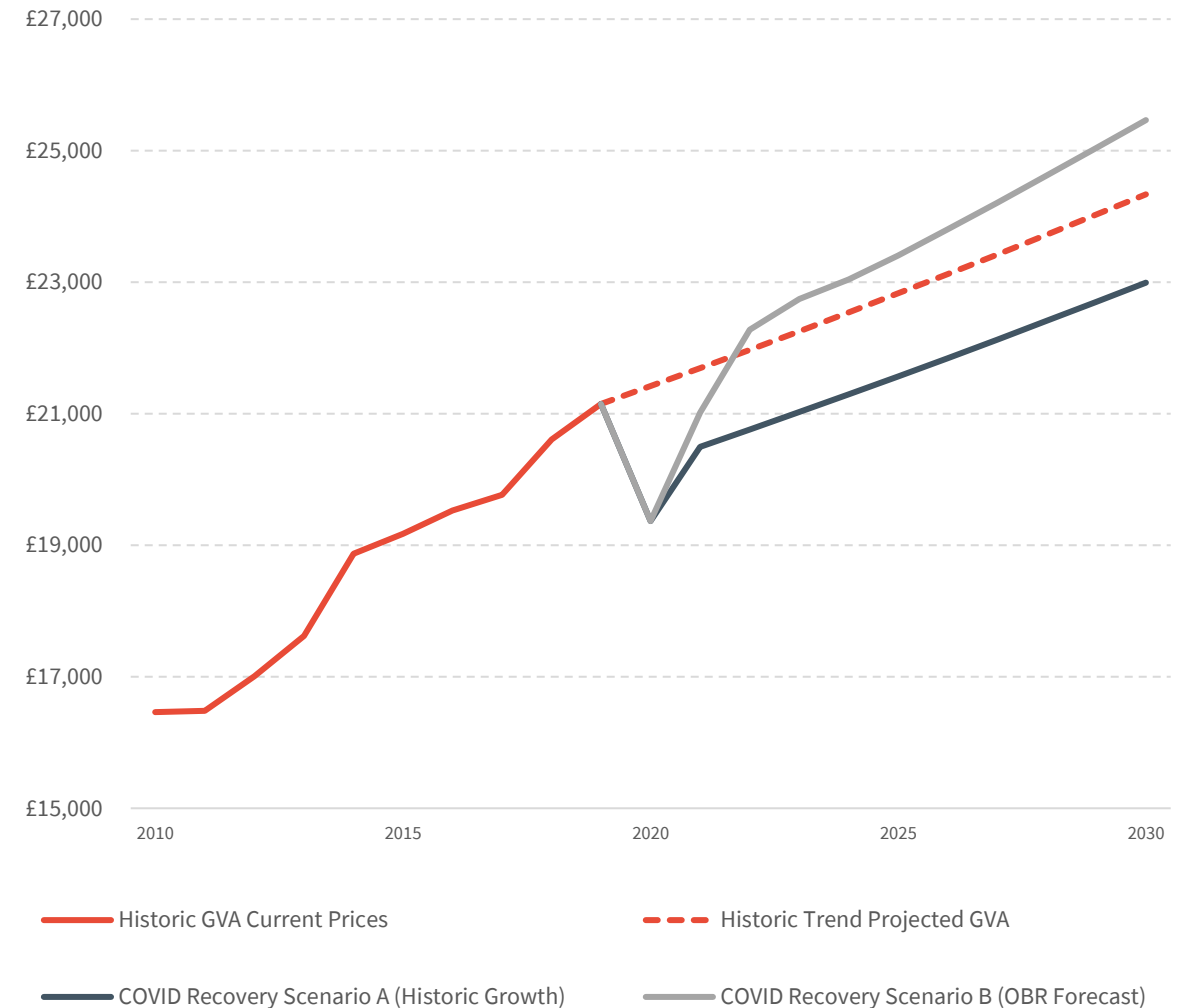
Swindon and Wiltshire's Future

COVID-19 caused the Swindon and Wiltshire economy to contract by 8%, recovery scenarios vary considerably...

Under COVID Recovery Scenario A, Swindon and Wiltshire maintains its historic growth rate (1.3%) and does not re-join its pre-COVID growth trajectory, the scenario assumes that, following the loss of output from COVID-19 in 2020, the LEP area will experience the same growth rate as it did prior to the pandemic.

However, the OBR also provide a recovery scenario B forecast. Under this scenario there will be a healthy recovery, in part due to economic activity taking place that was been displaced from taking place in 2020 due to restrictions on the economy. Under this scenario the Swindon and Wiltshire economy is expected to return to and surpass its growth trajectory in 2023. It is likely that a recovery scenario will fall somewhere between these two forecasts. Moreover, these estimates are subject to change based on the release of the next OBR forecast following the Spring Statement in 2022.

COVID-19 Recovery Scenarios OBR (£m)



Source: OBR October 2021 Projections



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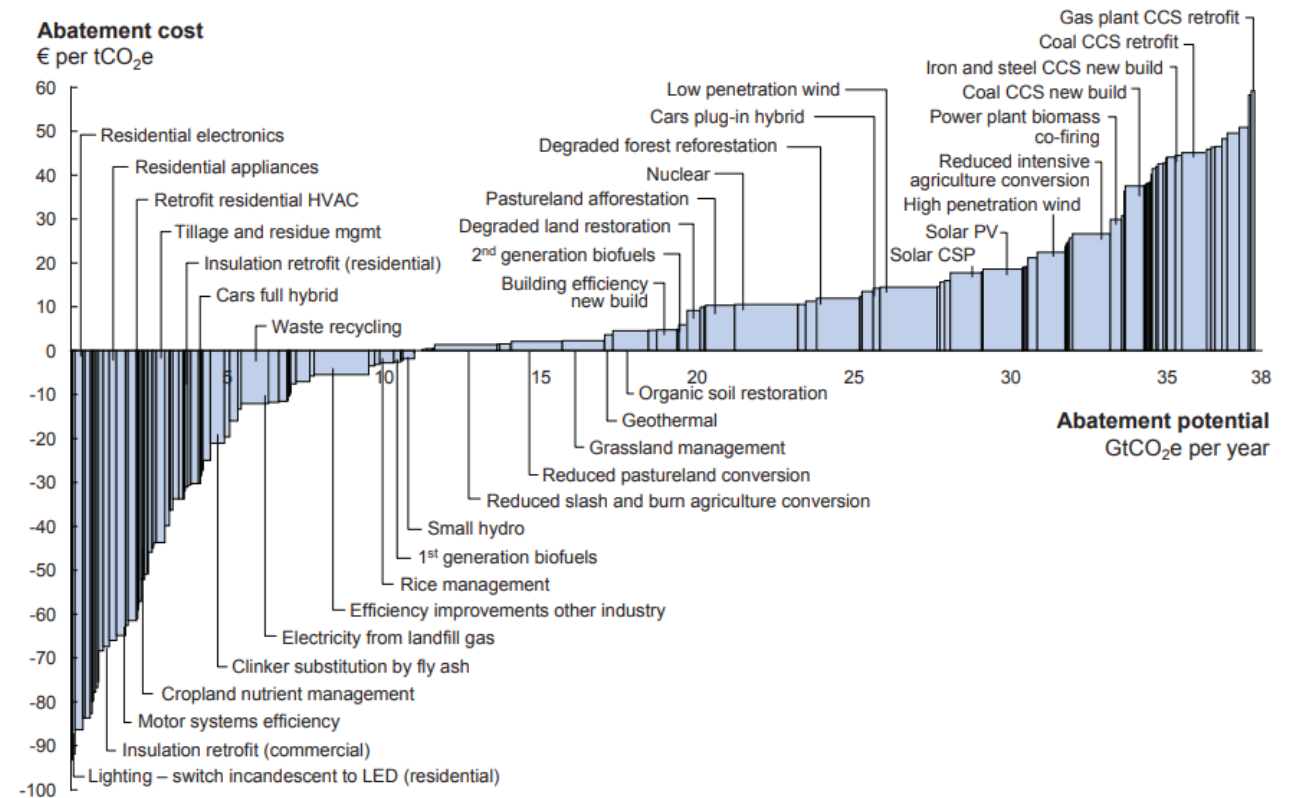
The low carbon economy will grow in importance in Swindon and Wiltshire both economically and socially...

As shown, the low carbon economy is an important sector in the LEP area's economy currently employing 15,000 people across Swindon and Wiltshire. Going forward it is to be expected that more jobs will emerge in this sector, though it should be noted that they may emerge in new sectors beyond the traditional SIC sector definitional scope.

Based on insight from the Department for Business, Energy and Industrial Strategy's Green Jobs Taskforce Report, it is expected that one in five jobs will be impacted by climate change and decarbonisation. Furthermore, new jobs are expected to be created in the Decarbonisation, Low Carbon and Wider Green economy. The Green Jobs Taskforce Report suggests the creation of 14 million jobs globally by 2030 in these sectors. Swindon and Wiltshire is well placed to be a lead player in this field with a strong existing employment base and a keen policy focus on this sector.

There are numerous measures through which greenhouse gases can be cut. McKinsey's abatement cost curve provide a useful insight into how Swindon and Wiltshire may most cost effectively cut emissions.

Global greenhouse gas abatement cost curve beyond business as usual, 2030



Note: The curve presents an estimate of the maximum potential of all technical GHG abatement measures below €60 per tCO₂e if each lever was pursued aggressively. It is not a forecast of what role different abatement measures and technologies will play.
Source: Global GHG Abatement Cost Curve v2.0

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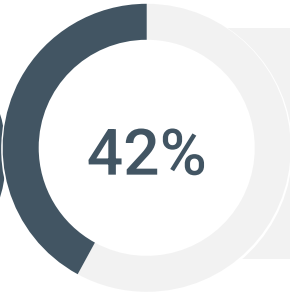
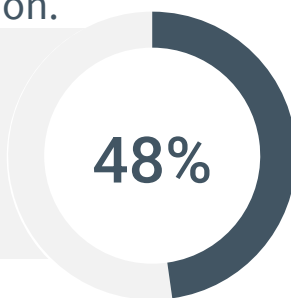
277,000 jobs are exposed to automation risks in the LEP area...

The ONS have looked at the number of (main) jobs at varying risks of automation. These are categorised as high (70%+ probability of the job being fully automated), medium (between 30%-70% automation probability) and low (<30%).

In Swindon a total of 93,000 main jobs are at risk of automation, of which 78% are either medium or high risk. Unsurprisingly, given its relative size, in Wiltshire the total number of jobs at risk is higher (184,000) but a lower share of these (67%) are high or medium risk.

The ONS also produce an estimate of the overall probability of automation in each area relates to the aggregate of the probability of automation for each job multiplied by the number of those jobs. As such, it can be thought of as the weighted exposure across all jobs to automation.

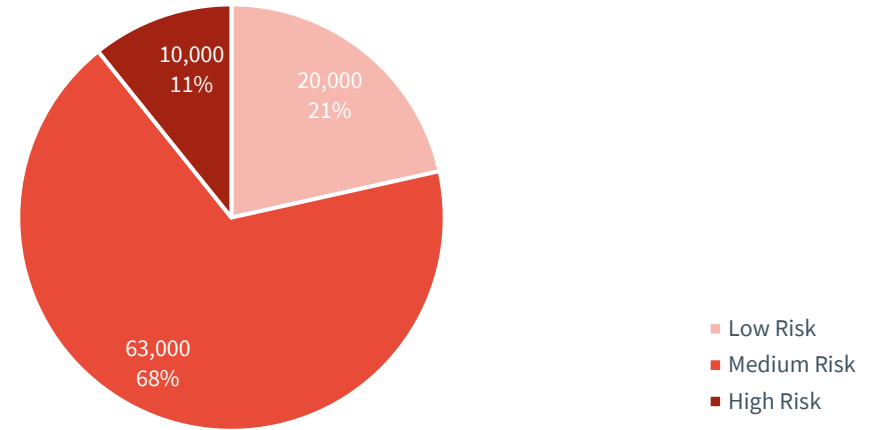
Probability of automation in **Swindon**



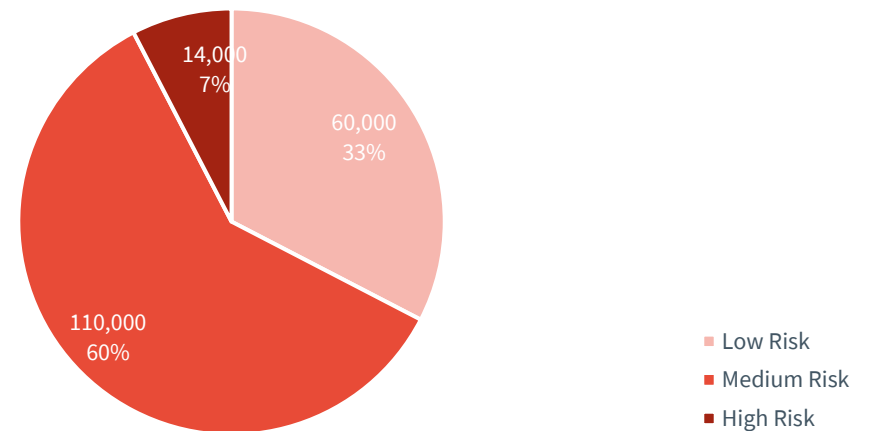
Probability of automation in **Wiltshire**

Source: ONS Probability of Automation

Numbers of main jobs at risk of automation in Swindon



Numbers of main jobs at risk of automation in Wiltshire



Some of the Swindon and Wiltshire's most important sectors have a high exposure to automation...

Automation will change the composition of tasks required in jobs. These task changes may be small, but some may require new skills and will affect different industries to differing degrees. This will mean the need for re-skilling is unevenly distributed.

We can look at the probability of automation of sectors in England alongside data on the importance of those industries in Swindon and Wiltshire to understand where the overall exposure to automation may be felt hardest. Retail and Wholesale, and Accommodation and Food Services account for nearly a quarter of employment in the LEP area and have the highest probabilities of automation.

Probability of automation by sector (England, 2017) and sector importance to Swindon and Wiltshire

	Employment (2020)	% of Employment Base in the LEP area	Probability of automation (2017)
Agriculture, mining and utilities	11,500	4%	47%
Manufacturing	29,000	9%	49%
Construction	16,000	5%	46%
Retail and wholesale	52,000	16%	57%
Transport and storage	17,000	5%	49%
Accommodation and food services	24,000	7%	62%
Information and communication	13,000	4%	36%
Financial and insurance	12,000	4%	42%
Property	7,000	2%	45%
Professional, scientific and technical	31,000	9%	37%
Administration and support services	28,000	9%	49%
Public administration and defence	13,000	4%	37%
Education	26,000	8%	35%
Health	35,000	11%	43%
Arts, entertainment and other services	12,000	4%	47%

Source: BRES, 2020; ONS Probability of Automation, 2017 (data at the broad industry level has been calculated as the average of the 2-digit SICs therein)

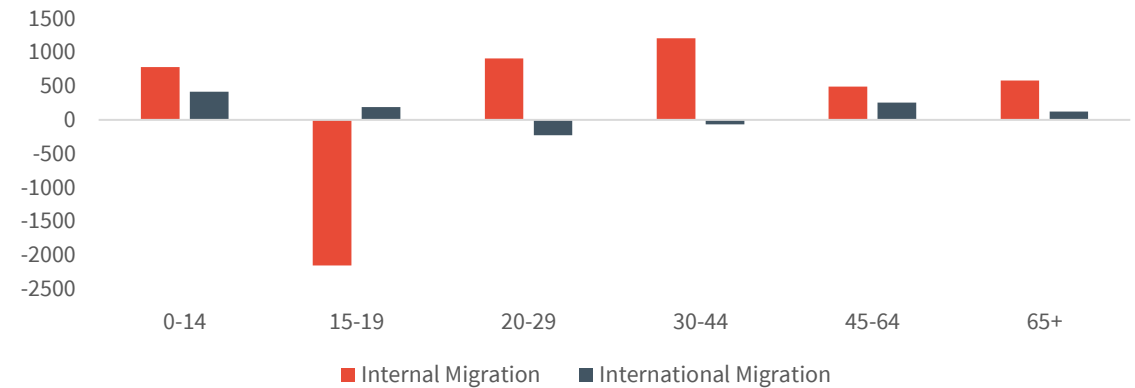
Impacts of Brexit

EU exit will bring labour market challenges alongside new trading opportunities...

Over the last eight years, internal migration has been the main source of migratory labour inflow, particularly for the working age population. However, it is also clear that international migration plays a role in the labour supply in the LEP area. This data does not differentiate EU and non-EU migration, ensuring businesses will be able to fulfill roles following the EU exit will nevertheless remain crucial.

Examining trade, we can see that overall, including both goods and services, Swindon and Wiltshire has a negative balance of payments (more imports than exports). Although when looking at EU and non-EU trade this differs with a positive trade balance to places outside of the EU. Supporting businesses to expand further into these markets will expand the export economy in the LEP area.

Average net migration by age group in Swindon and Wiltshire, 2012-2020*



Swindon and Wiltshire Balance of Payments in Goods and Services (£m), 2019



Source: ONS Subnational Trade in Goods and Services; ONS Population by Country of Birth, 2021; ONS Mid-Year Population Estimates, 2020

*Internal migration for Swindon and Wiltshire LEP may include internal migration between the two LADs due to data only being available at a LAD level and aggregated to create Swindon and Wiltshire LEP



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Ensuring adequate housing is provided to current and future residents of Swindon and Wiltshire will be crucial to enabling a strong pool of labour...

Based on available data from adopted local plans at the time of the LEA publication, we can estimate a total housing requirement across both Swindon and Wiltshire to 2026 to be circa 64,000 homes. It is necessary to note that these figures are expected to be revised through the preparation of new local plans for both local authorities, which are being progressed.

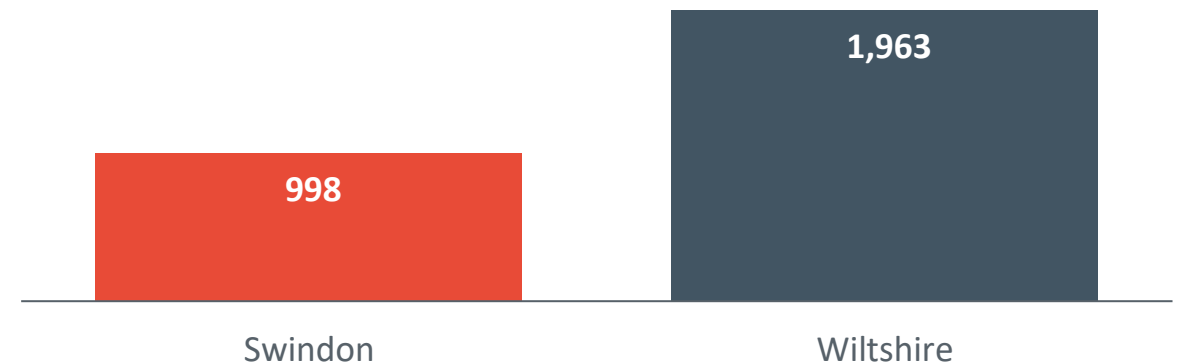
Using the Government's standard method to calculate the minimum annual local housing need at the time of writing for both authority areas, it is also possible to show the annual housing need across Swindon and Wiltshire in terms of minimum number of new homes expected to be provided for both areas. As can be seen the majority of the LEP areas annual housing need is in Wiltshire, though this is to be expected given the relative size of this local authority compared to Swindon.

*Source: * Wiltshire Core Strategy, adopted January 2015; Swindon Borough Local Plan 2026, adopted March 2015. Both Local Plans are currently under review and will include new housing requirements to 2036. ** Calculated mid March 2022 using Government's standard method set out in national planning practice guidance and up to date inputs*

Local Plan Housing Requirements to 2026*



Per Year Housing Minimum Need, 2022 (standard method)**



Wiltshire's Future Employment Land

High levels of demand, particularly in industrial space is expected by 2036

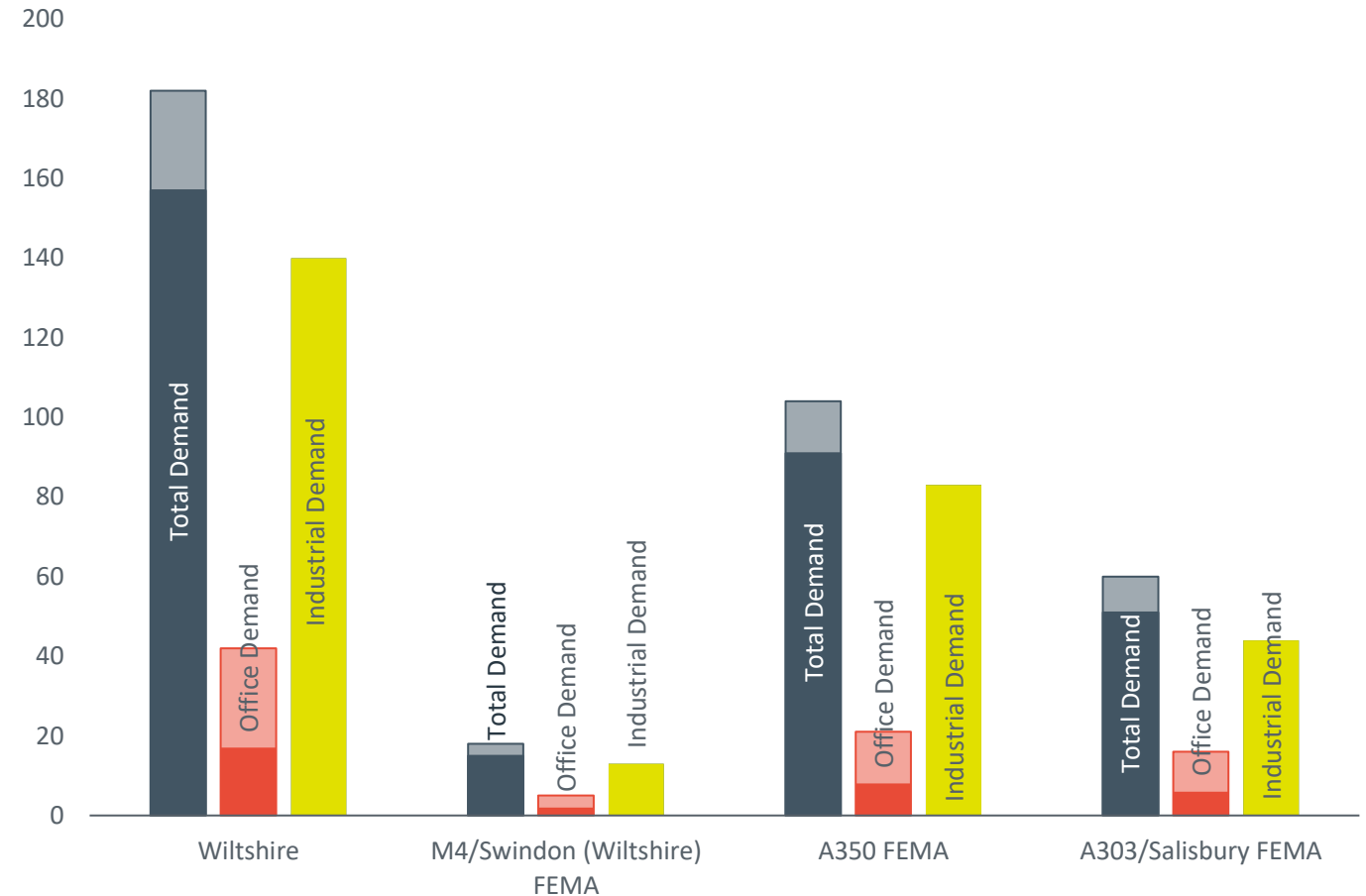
Due to the difference in business sectoral make-up, the demand for commercial space varies across the LEP area. Although it is anticipated that in each sub-area considered, industrial demand will be higher than office space demand. At the time of reporting the employment land review was undergoing an update and as such projections are expected to change in light of Covid-19, Brexit and other changes in economic and commercial circumstances.

Wiltshire was expecting to see the highest level of absolute demand in commercial space (Ha) with demand equating to 160-180.

Demand for commercial space is a reasonable indicator of an area's commercial vibrancy, though if this demand is not sufficiently met by supplier growth may be jeopardise and business activity may move elsewhere to find commercial property that meets current and future anticipated demand.

Employment Land Demand Projections (Ha), 2016-2036

(min. estimate shown in darker colour, max. estimates lighter)



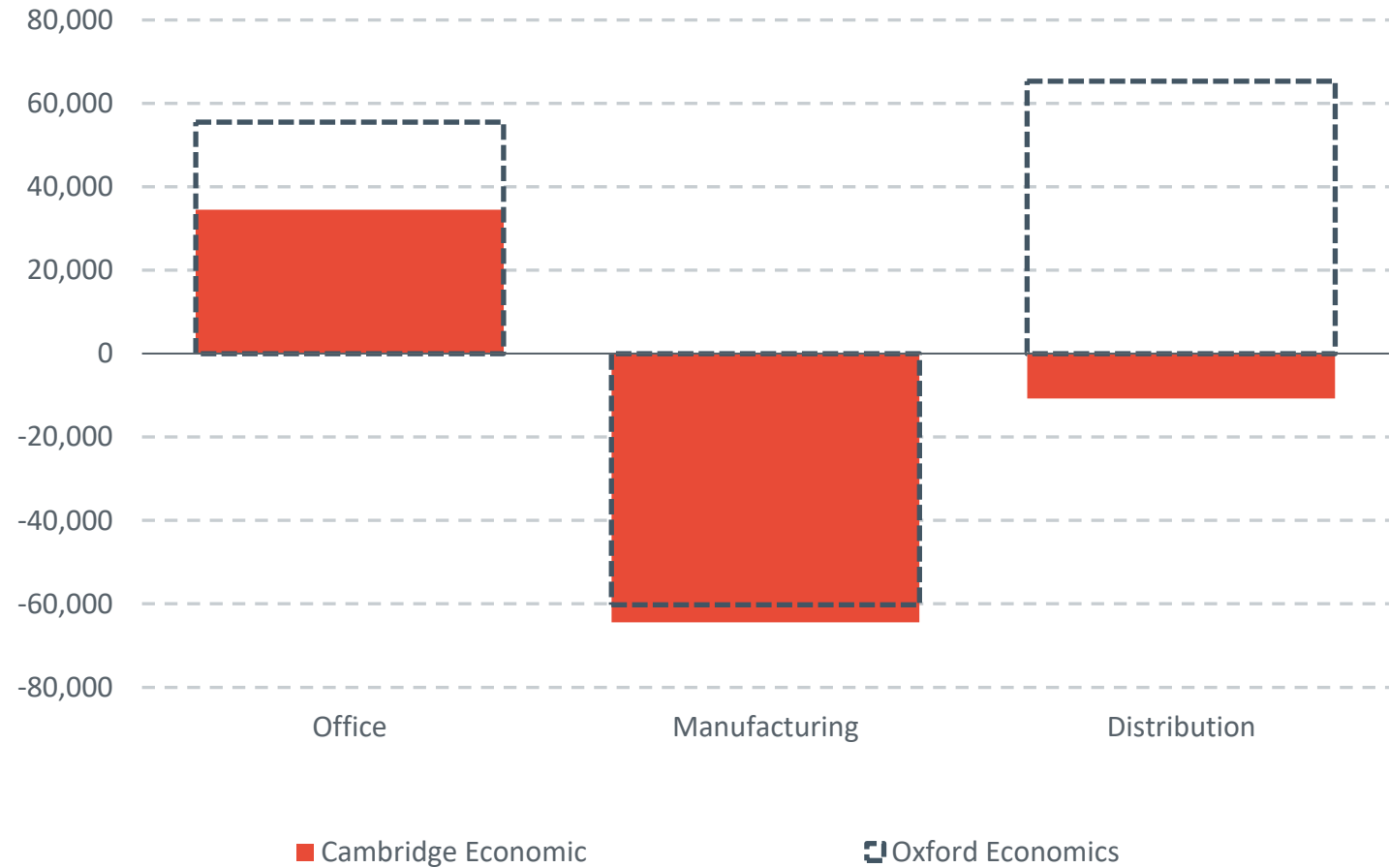
Swindon's Future Employment Land

Projections of future employment land need in Swindon differ based on employment projections...

With projections about future employment anticipated between 2016-2036 differing, the projected demand for land in Swindon cannot be projected with absolute certainty. Two of the three employment land projections may see a shrinkage in demand in Swindon, with the office space being the only type of industrial land anticipated to see demand rise according to both projections.

It is necessary to note, as with Wiltshire, recent economic disruption will likely have changed these projections and these estimates may not hold in light of COVID and EU exit.

Employment Land Demand Projections (sq.m) to based on Baseline Labour Demand Projections 2016-2036





Swindon and Wiltshire, like the UK as a whole, is at a critical juncture. A number of macroeconomic shifts are occurring, some of these have been known for some time (for example automation/4th AI) whilst others have presented a shock (e.g. the COVID pandemic). What we do know is that the impact of these will not be felt equally by all residents, workers or sectors. Policy will need to consider mitigating or supporting groups where the costs fall disproportionately.

However, change also presents opportunities. Swindon and Wiltshire have a number of sector strengths (for example around low carbon industries and advanced engineering and manufacturing) that position it well to take advantage of some of the macroeconomic shifts. Policy should ensure that business and people can fully exploit opportunities by providing adequate infrastructure and supporting sustainable growth.