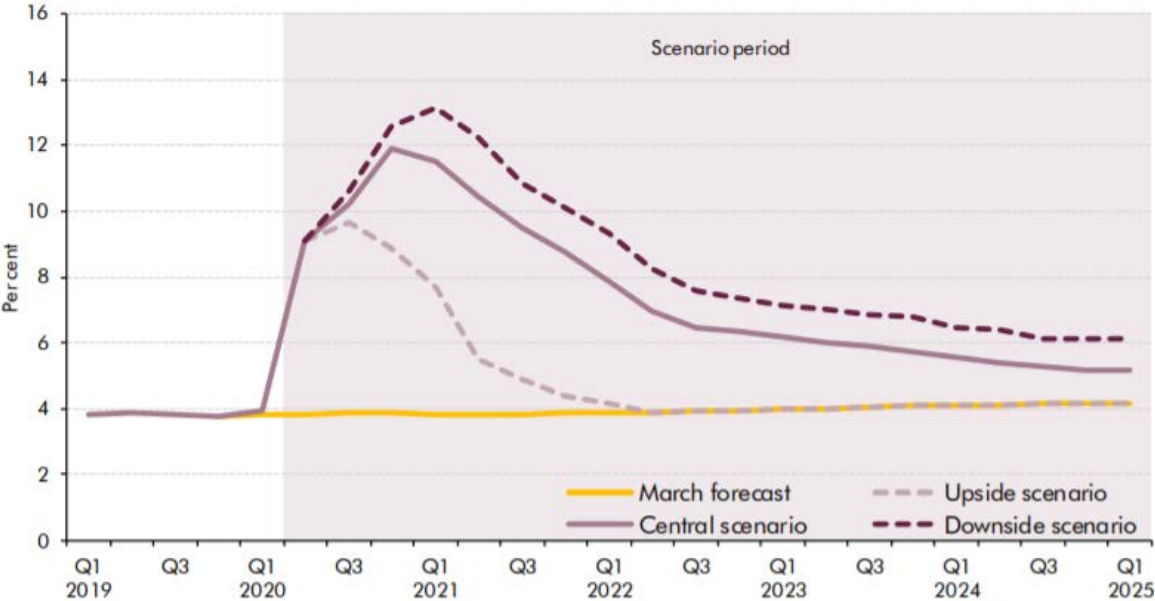


**APPENDIX B: COVID-19 Employment Implications**

**Introduction**

- 1.1 The baseline employment forecasts from Experian were received Feb 2020 prior to the COVID-19 pandemic and therefore make no adjustment for its effects. This appendix, produced September 2020, provides consideration for the implications of COVID-19 based on data available at the time and using professional judgement.
- 1.2 From work being undertaken elsewhere, GL Hearn is aware that forecasters are generally of the view that after a contraction in 2019, jobs growth will return to trend in 2020. There might be a down shift in employment land needs for offices given greater tendency for homeworking than office based jobs.
- 1.3 The Office for Budget Responsibility (OBR) on 14<sup>th</sup> July 2020 released its economic scenario planning for COVID-19 which identified a central scenario. The commentary includes reference to this scenario where economic “activity recovers more slowly and incorporates some scarring to potential GDP.”
- 1.4 The below chart sets out the central scenario based unemployment, indicating that it will take 4-5 years to recover the majority of employment lost during the pandemic and that there will be some ‘scarring’ at around 1% going forwards.

**Figure 1: Unemployment Rate: Scenario vs. March Forecast**

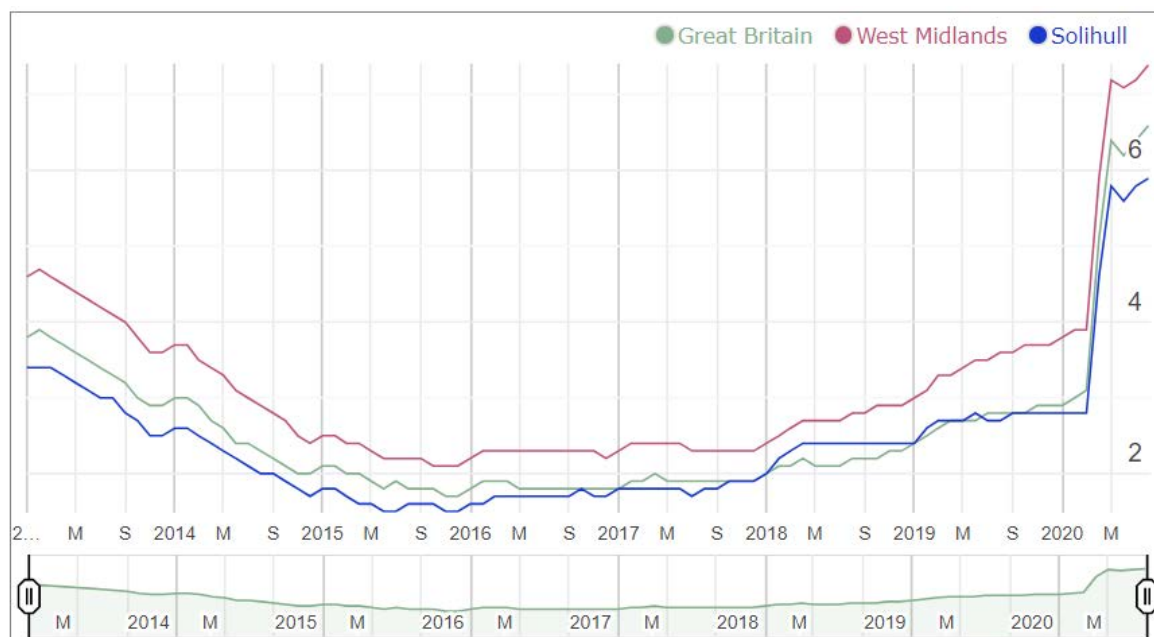


Source: ONS, OBR

- 1.5 Different employment sectors have substantially different COVID related implications.
- 1.6 The latest ONS report ‘Coronavirus and the impact on output in the UK economy: July 2020’ sets out that monthly GDP recovered just over half of the decline in output from February 2020, measured from its lowest point during April 2020.

- 1.7 The broad services sector saw widespread improvement in July 2020 compared to recent months, with over half of the growth coming from industries where continued easing of lockdown restrictions had a significant impact, namely education, motor trades, pubs and restaurants, personal services, and hotels and accommodation. Manufacturing and construction sectors saw widespread improvement during July 2020, with motor vehicle manufacturing and house building showing the strongest growth.
- 1.8 Air transport remained the hardest hit sector followed by accommodation, food and beverage services and creative arts /entertainment. Lockdown measures have the most direct implications for these sectors and remain in uncertainty until a clear resolution to the crises is identified through a vaccine.
- 1.9 GDP performance does not immediately lead to responses in the employment market. In Solihull as across the UK, unemployment has been increasing rapidly through 2020 although this has been staved from worsening through the furlough scheme. This scheme is anticipated to close end of October 2020 although could be extended. The claimant count (Job Seekers Allowance and Universal Credit) has doubled since Feb 2020 bot in Solihull and more widely.

Figure 2: **Claimant Count Rate: to Aug 2020**

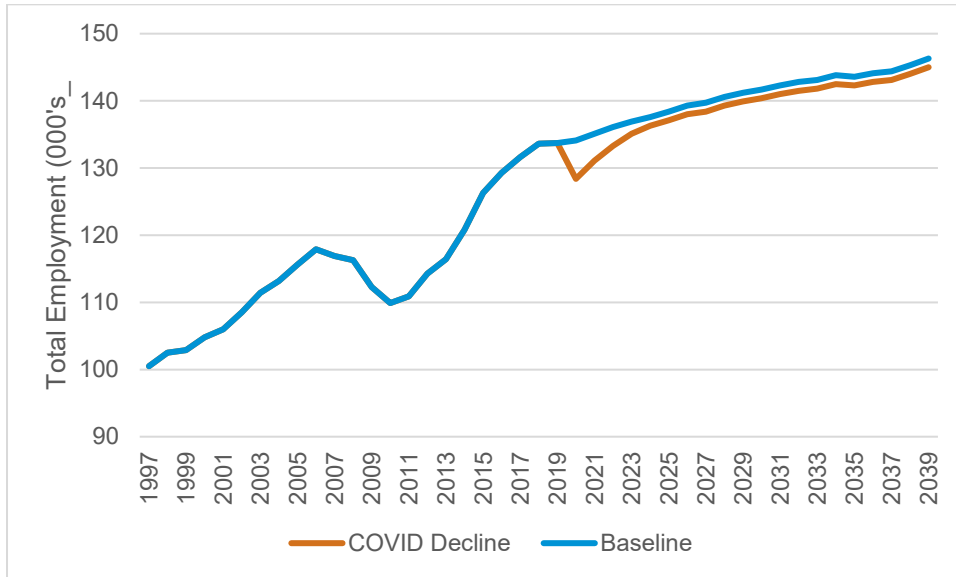


Source: ONS / DWP

- 1.10 Data is not currently available at local area level to determine sector level employment effects. National level employment data by sector is reported April – Jun 2020. This set out:
- accommodation and food services contracting by 9%;
  - agriculture and, forestry and fishing contracting by 8%;
  - by construction and admin support falling by 4%;
  - overall employment fallings 1%.

- 1.11 At the local level, JLR has announced over 1,000 job cuts including 400 at Solihull. Rolls Royce has announced more limited cuts.
- 1.12 The NEC has also delivered the Nightingale Hospital as part of the COVID19 pandemic response, constraining their ability to engage in discussions as part of the work and creating more uncertainty in the short to medium term for expansion plans.
- 1.13 The consultant team has considered in detail the pre COVID-19 position and how this may affect the Solihull economy going forwards based on our analysis of affected sectors. Pre COVID (March 2020) GL Hearn had adjusted the baseline scenario from Experian to take account of local growth strengths in the borough. As a result the following are estimated locally:
- Accommodation and food: -2,000 jobs, recovered over 3 years but 200 longer term
  - Land transport: -400 lost and but recovered over 2 years
  - Recreation: -400 jobs lost, recovered over 4 years
  - Retail: -2,000 jobs lost, recovered over 3 years but 200 remain longer term
  - Transport manufacturing: -800 jobs, of which 400 recovered over 4 years but 200 longer term
  - Total -5,600 losses (4.2% of FTEs) of which 600 are not recovered in the short-medium term
- 1.14 In employment land terms the assumptions relating to COVID need to be considered carefully. In particular, jobs lost and then regained due to the pandemic in the coming years will not require additional employment space as can be redeployed in existing space. As such, planning for the pre-COVID position is more useful as it avoids over-providing for those coming back into employment rather than 'new' business growth.
- 1.15 In the long term, any permanent employment scarring or jobs not recovered would ultimately lead to a decrease in the forecast baseline jobs. So if 600 jobs are not recovered by 2036 this would be deducted from the 10,000 forecast in the baseline.
- 1.16 The pandemic also decreases the likelihood of the baseline jobs occurring in the shorter term i.e. 2020-2022/23 in particular, as recovery is occurring rather than growth. This leads to one of two outcomes arising, either that jobs forecast in the baseline occur more quickly from 2025-2036 to compensate for a slower start, or these jobs are gained in the post plan period 2036+.
- 1.17 The consultant team has tested COVID-19 scenarios of
- 1) Baseline (10,000 jobs growth)
  - 2) Permanent unrecovered jobs (600), other factors unchanged (growth compensation 2025-36) so total baseline of 9,400 jobs. This is depicted below.
  - 3) Permanent unrecovered jobs (600+), baseline jobs growth only occurs post 2025 with no growth 2020-25 (previously 3,800 jobs) so total baseline of 5,600 jobs.

Figure 3: **Baseline vs. COVID Scenario, Total Jobs Change over Time**



Source: Experian 2020 with GLH Analysis

- 1.18 Given the very significant uncertainty at the time of writing and taking into account the OBR position, it is recommended that SMBC pursue option 2 which assumes some permanent scarring but also enables growth to occur at a fast recovery rate, with some sector growth during the overall contraction. However, this should be revisited as the effects of the pandemic on the economy are better understood.
- 1.19 Aside from overall employment generation, early indications are that the pandemic may lead to a reduction in particularly large-scale office footprints as working from home practices are maintained in the longer term. This may be positive in supporting take up of the existing smaller vacant stock in the Borough but could have other effects in terms of the demand for existing stock generally as well as future general needs and the demand for UKC floorspace.
- 1.20 The baseline recommendation for local office provision in Solihull indicates 18,480 sqm to 2036 assuming an average of 12 sqm per full time equivalent. If as a result of the pandemic the incidence of home working increases by one third, then future needs would fall to 12,200 sqm or 20,600 sqm with margin (5.1 ha vs 5.8 ha in the baseline). Taking into account the existing supply of over 33,000 sqm or 8.3ha there is expected to be an oversupply which would reduce the deliverability of existing allocations and / or increase losses of existing floorspace.
- 1.21 With regard to UKC, the effects of the pandemic are more difficult to comment on given delivery is not anticipated until later in the plan period. Given the employment effects are already adjusted in the main report, it is suggested that developers / stakeholders be involved in updating their assumptions in due course as required.