

5 The economy and local housing systems

Introduction

The key aim of this chapter is to build a better understanding of the interconnections between local economic conditions and prospects, and housing systems. In addition to the important demographic changes (see Chapter 6) that affect housing systems there are also impacts from economic change that need to be taken into account.

These economic impacts are not always obvious. This chapter provides guidance on how to develop an understanding of how economic changes, particularly local ones, are likely to influence trends in the local housing system over time. It explains:

- The ways the economy can affect local housing systems.
- What the key elements of a local economic audit are.
- Specific housing issues that might arise from housing – economy links.
- Information sources for looking at housing – economy links.

A glossary of economic terms is provided in Annex 4.

A theme running through this guide as a whole is that analysing local housing systems is as much an art as a science. This is particularly true in the context of this chapter where the economic picture needs to be pieced together from a wide variety of evidence.

Table 1 summarises a number of important ways in which housing and the economy can influence each other. Table 1 demonstrates why analysts must think carefully when considering the cause and effect of housing sector-economy relationships, resisting the lure of simple explanations.

Table 1: Housing and the economy: what kind of a relationship?
<p>Within LHSA, the economy, along with demographic change, is seen as a key driver of the housing system. What does this mean in terms of analysing a housing system?</p> <p>Economic forces as explanatory factors shaping housing outcomes</p> <p>Economic structures, and changes to economic factors, have causal impacts on the housing market. Incomes are probably the most important of these factors. Economists believe that income growth and the distribution of incomes are central to housing demand. The income elasticity of demand is a measure of how housing demand responds to a specific increase in income. Estimates for the income elasticity of demand normally calculate it as being between 0.7-1.0%. This means that a 10% rise in incomes leads to a 7-10% increase in housing demand</p> <p>Fundamental to both incomes and to the operation of housing markets is performance of the local labour market – whether new jobs are being created, existing ones sustained and whether wages are rising or static. It should not be surprising that closures on the one hand and new job creation on the other can have major cumulative effects on housing markets, transmitted through impacts on income and the capacity to pay for housing, ability to afford deposits and the like. This is why LHSA needs to factor-in the local economy and its dynamics if one is to construct scenarios about the future direction of local housing</p> <p>Also of central importance to the housing market are macroeconomic factors. Interest rates, inflation, public budget positions, national economic growth (recession) all impact on house building and housing investment on the supply-side and on household finances on the demand-side. If economists are predicting a worldwide rise in interest rates because of, for example, the growing demand for capital, LHSA analysts need to consider the potential for this to affect housing demand in the local housing system.</p> <p>However, it is obvious that the real world does not neatly partition housing and the economy this way. Housing markets also influence the economy at local and national levels. In fact, there is a two-way relationship between the housing sector and the economy.</p>

Housing as a driver of the economy

The **cost of housing** tends to be households' largest expenditure item. Clearly increases in that spending as well as high absolute levels in high cost regions will reduce non-housing spending. This has cumulative multiplier effects that impact on local shops and economic agents.

Downturns in **housing market cycles** can directly affect the economy also. The late 80s and early 90s housing market recession clearly reinforced wider economic demand problems in southern Britain (Maclennan and Gibb, 1993).

At the same time, **rising housing wealth**, stemming from real increases in house prices, makes consumers feel wealthier and is recognised to increase their overall spending in the economy. An extreme form of this is where households extend their mortgage debt, eating into the increases in equity, to fund non-housing spending on holidays, cars, etc (**housing equity withdrawal**). In the current economic cycle, many analysts contend that the high levels of borrowing and equity withdrawal (more than 5% of all consumption) are presently supporting an imbalanced growth of the macro economy, fed by the housing sector and based on consumption but not on long term investment. A volatile housing market therefore can have a macro as well as a local impact on economies.

On the supply-side, **new housing investment** and indeed maintenance and improvement work (which is more labour intensive) have direct and indirect multiplicative impacts on the economy. The exact extent of this depends on where the material and labour required are sourced. High investment in specific regions can lead to bottlenecks, rising costs and a need to import resources from outside of the region. Glasgow's present building boom in both the private sector and as a result of the Glasgow Housing Association improvement programme is a case in point.

While it is often argued that housing can be used to promote economic prosperity and vice versa at the local level, it can often be unclear how best to achieve this. To use one example, there is a longstanding locational debate about whether new productive investment in the suburbs of a city such as the siting of a new business park, leads to subsequent housing investment as workers follow jobs. On the other hand should policy promote new housing supply in these areas in the expectation that investors may locate jobs to these areas to capitalise on the skilled workers expected to reside in the new housing. Is housing the driver or is the economic impetus the lead factor? Recent research by Mean et al (2001) suggests that housing in this case may actually be the driver but the evidence is unambiguous.

Cause, Effect and Timescale

While the relationships between housing and the economy are tangible and can have profound impacts in local contexts, the nature of the links (that is their scale and how quickly they take effect) is mostly unknown because they are so complex. It is important to avoid an assumption that simple relationships exist, or that impacts occur immediately.

Sometimes, apparently big local, economic changes (e.g. semi-conductor industry decline in West Lothian) can have relatively minor housing system impacts (impacts such as an increase in social renting, unemployment increases, and mortgage repossessions did not occur). In the case of this example, there were a number of reasons why a simplistic view would have been misleading:

- Individual firms committed to ensuring employees had options following plant closure.
- The employees of this industry do not reside in a concentrated geographic area and so any housing impacts are dispersed thinly.

In many instances distant economic events can have more influence on local housing systems than more recent trends. To carry on the above example, the local housing system in West Lothian is shaped as much by the loss of manufacturing and mineral extraction jobs decades ago (leaving relatively large settlements in the west of the county with little in the way of local employment opportunities and distanced from the key central belt employment hubs) as recent decline of the semiconductor industry.

Building up a picture of the local economy

Defining the local economy

Local housing systems are sensitive to changes in the local economy but also to a lesser extent in regional and national economies. National and regional economies are usually defined on administrative boundaries. For example the boundary of the 'UK economy' is obviously the UK itself. The regional level can however mean different things. For example, it might refer to both Scotland and the Strathclyde region within it, both of which are bigger than the area typically being considered in LHSA.

Chapter 4 discussed the possible use of Travel To Work Areas and Local Labour Market Areas as a basis for defining a local housing system, and the close general link between the geography of local housing and labour markets. From an LHSA perspective, the local economy should be understood to be the area covered by the local housing system. For rural areas, the local economy will be specific to the local context under consideration. For example, in remote rural settlements, the area of the settlement will often essentially define the local economy.

National and regional influences on the local economy

Local housing systems are sensitive to UK macro-economic policies. Higher interest rates lowers demand for housing by making it more expensive to borrow and invest funds. National economic policy therefore has implications for households seeking to become homeowners as well as existing owner occupiers.

Fiscal policy in the form of tax and public expenditure also affects housing. The decisions government takes on personal taxes influence both the overall and relative demand for different types of housing in local housing systems. In addition they affect the level of public investment available for housing.

However, it is often difficult to factor in these impacts in relation to specific local housing systems and they are, in any case, likely to be dominated by local issues. In addition, some of the impacts should already be factored in to some of the forecasts available and discussed below, for example regarding growth of industrial sectors and of GDP and earnings etc.

Consideration might also be given to EU policy, particularly if it becomes more interventionary in the area of national macro-economic policy making and if the UK joins the euro, but again allowing for this at the local level would be difficult.

There are some more specific ways that national (and regional) economic conditions and decisions by government impact on local economies and housing markets:

- National (and regional) GDP growth gives an indication of economic health, which can feed back into areas whose own prospects may not appear to be as bright.
- Development plans can impact on the local economy and housing. This can be in the form of the strength and purpose of regional policy, through the likes of Assisted Area status and inward investment policies. Devolved government may also pursue separate regional development policies (such as the national planning framework discussed in chapter 2) that will have implications for local growth prospects.
- Other areas of influence include rules and policy relating to immigration. This can have implications for population statistics as a whole but also for specific areas, especially those that already have large ethnic populations, where new immigrants also tend to congregate.

There will often be much more information on economic trends available at the national and regional rather than the local level. For example forecasts of employment, industry and earnings variables are typically available on a regional basis.

Local economic audits

A local economic audit that outlines:

- The most important industries in a locality and the prospects for those industries e.g. declining manufacturing industries versus growing services industry.
- Standards of living in the local economy.
- The labour market conditions in terms of unemployment, participation rate, skill levels etc.
- Other relevant information on local economic infrastructure.

Provides an important basis for assessing local economic prospects. Taking these in turn:

(a) Local industrial structure

Local Industrial structure provides a picture of the make-up of the local economy.

- It allows us to see whether the local economy is typical with respect to the regional and national picture or whether it is skewed towards particular industries. The smaller the population involved the more chance that any area will be dominated by a narrower range of industries e.g. the increased importance of agriculture and fishing industries in more remote locales.
- It is informative to compare which industries have been declining and which have been growing over time. Again this can be compared to the regional or national level.
- Most importantly, knowledge of industrial make-up also allows for some judgement to be made of future prospects in the area through looking at industrial forecasts. These illustrate the prospects for growth in different industrial sectors.

Information on local industrial structure therefore provides the foundation for a general picture of the current and future prospects of a local economy but it should be used alongside local knowledge (see later) to get as full a picture as possible. For example, within the same industry category some sub sectors may be growing while others are declining.

Conventionally, the structure of industry is examined using the Standard Industrial Classification system. Details on this classification system are provided at Annex 4.

(b) Standards of living

Standard of living measures, like Gross Domestic Product and Gross Value Added (GDP/GVA) per capita or household earning and income data are important because of the relationship between levels and changes in absolute and relative household wealth and the ability to gain access to suitable housing.

- GDP growth, both total and in terms of growth per capita, are good measures of how the economy of an area as a whole is doing, which can have implications for the type of housing required as well as the quantity, and whether the overall number of employment opportunities is liable to increase or decrease. High relative growth is likely to lead to in-migration by households taking up new employment. High relative growth per capita is also likely to lead to increased aspiration in the type of housing called for in an area.
- Relative measures of household income and of earnings are also indicators of standards of living. Unfortunately, earnings and even more so household income data sources are not well developed for Scotland as a whole, let alone at a more local level.

(c) Local labour force flexibility and trends

The flexibility of the potential workforce in terms of employment, skills and type of occupation is an important measure of the health of a local economy, and will depend on factors such as:

- Activity rates, both in terms of those economically active and those in employment. If both are high it suggests a healthy and flexible labour force.
- Reasons for inactivity, if these relate to long-term unemployment or to long-term disability, rather than to being in full time education/training or short-term unemployment, then flexibility is likely to be weaker.
- Workforce skills – this relates to both the relative skills level of the existing workforce i.e. highest level of qualification, and of the emerging workforce i.e. relating to schools qualifications. Higher skills equate to greater flexibility and higher earnings.
- The age of the potential workforce, a younger workforce is likely to be more flexible than an older one.
- The occupational structure of a workforce, the higher the skill standard involved the more flexible the workers are likely to be.
- The proportion of women, part-time workers and unskilled workers, who tend to travel less distance to work and this can again impact on labour market flexibility.

(d) Local economic infrastructure

Besides all the more usual economic factors already mentioned above there are other less obviously comparable elements to a local economy that need to be taken into account when judging relative competitiveness and likely future economic scenarios. These include factors that make the locality an attractive place to live and work. For example:

- For households with children the quality of local schools is a recognised influence on house location.
- For older citizens the same may apply for the quality and convenience of local health facilities.
- The 'safety' of a locality, in terms of the degree to which law and order is kept is an important consideration.
- Universities can attract both students and also businesses if there is a significant research base element.
- Transport infrastructure has important implications. The existence of good rail, road, air, and in some cases sea links, is an attractor to households and businesses and can give an area a competitive edge. In addition plans for new transport links can act as a stimulant to future economic and housing growth.

These factors can be seen as elements that go beyond the more straightforward economic influences but which do add to an areas attraction and competitiveness. Each locality will have economic, social and cultural advantages and disadvantages related to it that will combine to determine its competitiveness in relation to neighbouring localities and to the nation as a whole. Obviously the housing system itself will be an element that significantly affects this competitiveness position and so is itself an influence on the local economy just as the local economy is an influence on the local housing system.

Because of the difficulty in measuring the importance of these factors it is also difficult to know how much weight to give to them as against other factors already discussed. However, they may become more important over time and their presence or absence should be taken into account in some fashion.

(e) Internal structure of a local economy

As well as the various factors described above there are also some internal economic distribution elements of a locality that can be important to a local housing system. For example:

- The distribution of wealth within an area. In general, areas with a more even wealth distribution will perform better than areas with badly skewed wealth distribution, including pockets of severe deprivation and poverty. In particular, areas of severe deprivation are likely to suffer from poor skills, poor public transport connections and be unappealing to businesses and employers, thereby reducing the growth potential of the area as a whole.
- Out and in migration can affect different areas disproportionately and lead to areas of local pressure and growth.

The data on all these factors tends to be poor and so it may be difficult to take into account, but the effects should nevertheless be noted.

Putting the information together

Overall, the economic analysis described here is intended to paint a picture of the competitiveness of a locality relative to other localities and to the regional and national average. When looking at how the economy can impact on a local housing system, we are basically trying to find out whether the economy is changing in such a way that there will be underlying growth or decline and at what rate that change might take place.

The competitiveness of an area can be gauged by a number of key measures, like GDP per capita, employment rate, skill levels, infrastructure in place etc. How things are changing can be judged by absolute changes in factors like wealth and income.

The main task is to draw together the available information on local economic trends (Table 2 provides an example). Clearly, this should be done in such a way as to inform analysis of the trends in the local housing system (see Table 3 and Table 4 examples of how this can be done).

Table 2: The Edinburgh economy described

Over the last 20 years Edinburgh has become one of the most prosperous cities in the UK. In 1996, the city accounted for 13% of Scottish GDP, while at almost £16,000 GDP per capita, was 50% above the Scottish average.

Table 1: GDP at factor cost – Edinburgh compared with all Scotland, 1996

	GDP current prices (£ million)	GDP per capita (£ per head)
Edinburgh	7,131	15,888
Scotland	54,430	10,614
Edinburgh as a % of Scotland	13%	150%

Source: ONS: Local area gross domestic product, 10/98

Table 2 below shows employment trends in Edinburgh over the period 1981-1998 compared against those observed in Scotland as a whole. Over this period, employment in the City has grown by 5% (representing the addition of around 11,000 jobs), while the trend for Scotland has been a slight net decline.

Table 2: Employment trends, 1981-1997 - Edinburgh City compared with all Scotland (Employees in employment (000s))

	1981	1991	1997	% change 1981-1997
Edinburgh City	239	249	250	5%
Scotland	2,002	2,004	1,992	0%

Source: 'Edinburgh & Glasgow: contrasts in competitiveness and cohesion', Bailey, Turok & Docherty (1999); Scottish Economic Statistics 2000, Scottish Executive.

Employment in Edinburgh has been expanding more quickly than the rest of Scotland. Table 3 indicates that unemployment rates in Edinburgh are significantly below the Scottish average. During 1999, average unemployment rates in Edinburgh, for instance, were 3.2% compared to 5.5% for Scotland as a whole. Compared against other city regions, unemployment rates in Edinburgh were almost half those of Glasgow and Dundee, although slightly higher than Aberdeen.

Table 3: Unemployment rates, 1999 annual average, %

	Males	Females	Total
Edinburgh City	4.9	1.4	3.2
Scotland	7.9	2.7	5.5

Source: Scottish Executive Scottish Economic Statistics 2000

Table 4 shows the employment structure of Edinburgh compared with Scotland as a whole. Reflecting a general trend over the past 30 years, the structure of employment in the city has shifted away from Manufacturing towards Services. Between 1971 and 1997 for example, manufacturing employment in Edinburgh fell by almost 50%, while the number of people employed in the service sector has grown at the same rate.

In 1997, 86% of all jobs in Edinburgh were in the Service sector, compared with a Scottish average of 74% making Edinburgh the unitary authority with the highest proportion of jobs in the Service sector. Reflecting this, the share of total employment accounted for by Manufacturing (9%) is well below the Scottish average of 16% and is lower than the total share represented by Manufacturing in any of the other four city authorities.

Table 4: Employment Structure, 1997

	Employees in employment (000's)		% share of total	
	Edinburgh	Scotland	Edinburgh	Scotland
Agriculture, forestry and fishing, energy and water	4	78	2%	4%
Manufacturing	23	322	9%	16%
Construction	8	110	3%	6%
Services	215	1479	86%	74%
Total	250	1992	100%	100%

Source: Scottish Executive Scottish Economic Statistics 2000

The strength of the Public Administration and Financial Services sectors in Edinburgh has consequences for the occupational structure of employment in the City. As indicated in Figure 1 compared to the average for Scotland, employment in Edinburgh is heavily concentrated among four occupational groups. Grouped together those employed in Clerical and Secretarial occupations, as Managers and Administrators, or in Professional and Associated Professional occupations account for 60% of all jobs in Edinburgh City. In Scotland as a whole, by comparison, the same four groups account for only 46% of all employment.

Analysis by the Institute for Employment Research suggests that some two thirds of all jobs in the Business and Financial Services sectors are accounted for by the same occupations that account for the bulk of employment in Edinburgh. As such, the high share of employment taken by the financial services sector can account for the concentration of employment in these occupations within the City.

Figure 1: Occupational structure - Edinburgh and Scotland, 1991 (% of all employment)

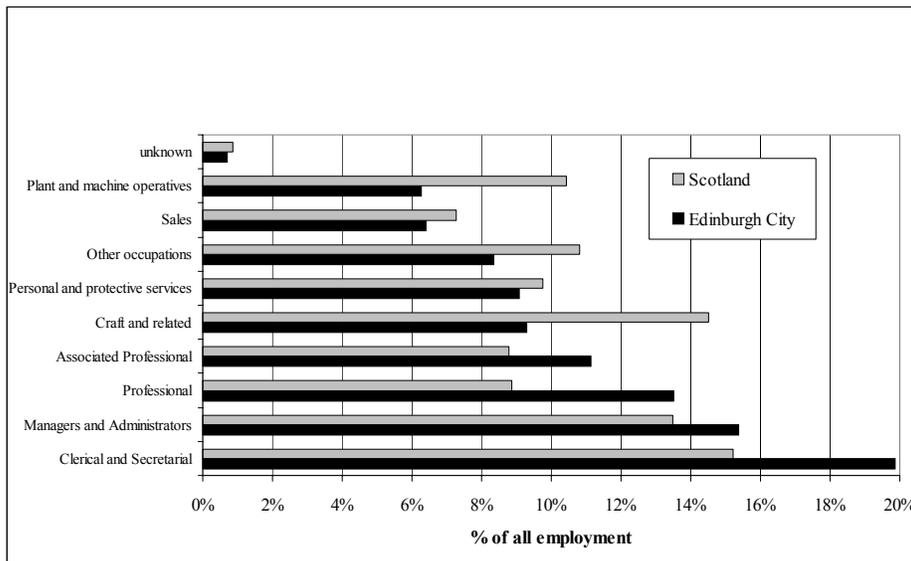


Table 5 below shows average gross weekly earnings in Edinburgh compared with Scotland. As can be seen, average earnings in the city in 1999 were almost 10% higher than the average for Scotland as a whole. In 1996, average earnings in Edinburgh were only 6% above the Scottish average. As such, over this short period earnings in the city have grown more quickly than the average elsewhere in Scotland.

Compared with the other three city authorities in Scotland, earnings in Edinburgh ranked significantly higher than Glasgow and Dundee in 1999, but well below average earnings in Aberdeen.

Table 5: Average gross weekly earnings - Edinburgh compared with all Scotland, 1996 - 1999

	1996		1999	
	Average earnings* (£ current)	% of all Scotland	Average earnings* (£ current)	% of all Scotland
Edinburgh	344.3	106	396.1	109
Scotland	324.9	100	364.9	100

Source: Scottish Executive, Scottish Economic Statistics 2000; ONS, New Earnings Survey

* Average gross weekly earnings of full time employees on adult rates

This pattern of employment growth, high incomes and a concentration of high-growth sectors and occupations has implications for the housing market in terms of higher demand in the owner-occupied sector and consequently, higher property prices.

However, the city's prosperity is not shared equally across Edinburgh. Four areas in particular, Craigmillar, North Edinburgh, Wester Hailes and South Edinburgh are recognised as experiencing substantial levels of deprivation. The problems experienced within these areas include:

- Declining population, against a city trend of increasing population.
- High unemployment, with rates at two to three times the city average.
- High levels of economic inactivity.

Summary on the economy

Edinburgh is a prosperous city, with a growing economy, rising employment and relatively high wage levels. This places demands on the local housing system, particularly the private sector where increasing demand is resulting in price pressures.

This prosperity is not shared equally across the city; with marked pockets of deprivation in some peripheral areas. These areas experience high levels of unemployment, high levels on economic inactivity and low income levels. Designated regeneration areas have been established in Wester Hailes, Niddrie/Craigmillar, North Edinburgh and South Edinburgh, with a view to integrating housing, economic and wider social improvements.

Source: DTZ Peda Consulting 2000, Edinburgh Housing Needs and Market Analysis, Final Report

Table 3: Economic structure and prospects for Highlands and Islands HMCS Area

The economy of the Highlands and Islands area is dominated by services, accounting for 68 per cent of GDP in 2000 up from 66.3 per cent in 1994. Public services, business and financial services and tourism are particularly important to the overall economy.

Tourism has been one of the fastest growing service sectors in the last decade. Tourism is important to all of the Highlands and Islands but particularly so to the Western Isles, Lochaber and the Ross and Cromarty LEC areas where it accounts for a fifth of GDP.

Manufacturing is the second major industrial sector, contributing £231.7 million (10.1 per cent) in 2000 to the Highlands and Islands GDP. However, with manufacturing featuring to a lesser extent in the Highlands and Islands economy than the rest of Scotland the area is less likely to be affected by downturns in this sector. There has been success in attracting electronics and telecommunication investment and jobs to the area, but these still comprise relatively small proportions of the area's economy.

Agriculture, forestry and fishing are important components of the area's economy accounting for 8.5 per cent of GDP in 2000. However, this sector has experienced substantial difficulties in recent years and is expected to continue to do so over the next five to ten years. This sector has been seriously affected by the BSE crisis, the beef ban in Europe and more recently by the foot and mouth disease outbreak. The importance of agriculture is underlined by the fact that its share of GDP for Highlands and Islands is approximately equal to the share of output accounted for by manufacturing. Agriculture's contribution to Highlands and Islands GDP is expected to increase from £194.2 million in 2000 to 205.7 million by 2010, but its overall share of GDP will fall from 8.5 per cent to 7.6 per cent over this period, reflecting a continuing trend of diversification in the local economy away from primary industries. The difficulties in the agricultural sector over the forecast period are likely to impact on all the LEC areas and to a lesser extent in Inverness and Nairn where agriculture represents only 3.5 per cent of GDP in 2000, slightly above the Scottish average of 2 per cent.

Labour Market Trends

There has been a significant growth in employment. Over the past six years, the number of employees has increased by 6,200 from 99,664 to 105,843, a growth of 6.2 per cent compared to 3 per cent in Scotland as a whole. This has been accompanied by a sharp fall in unemployment, which is currently below the Scottish average. As with the rest of Scotland, one of the main aspects of employment growth in Highlands and Islands has been the rise in the number of women in the labour force. Between 1990 and 2000 the number of women in the labour force increased by 19,100 and is expected to rise by a further 52,200 by 2008. Many of these jobs are likely to be part-time. Over the long term, the male labour force is expected to remain static in number, though the number in full-time employment is expected to decline.

The unemployment rate in the Highlands and Islands Enterprise (HIE) area for September 2001 was around 3.5 per cent, which is 0.5 per cent below the Scottish average of 4.0 per cent. Overall trends since 1997 demonstrate that HIE area unemployment levels correlate closely with the Scottish rates. However, within the Highlands and Islands area there are considerable local differences. Shetland has the lowest UK unemployment at around 1.2 per cent, Orkney 1.9 per cent, Western Isles 5.8 per cent and Highlands 3.7 per cent. The Travel to Work Areas with the highest rates of unemployment have consistently been along the northern coast of the Scottish mainland and the Western Isles. Unemployment in the HIE area has fallen faster than the Scottish average due to a combination of out-migration (after the closure of the oil fabrication establishments) and local employment growth. Fraser of Allander Institute (FAI) estimates suggest that the unemployment claimant count in the Highlands and Islands is likely to average around 5 per cent until 2010.

Long-term unemployment, which is conventionally taken to be six months or longer, has fallen by 7 per cent in the HIE area, and Scotland 7.2 per cent for the year to September 2001. Corresponding rates for Orkney have fallen by 9.6 per cent, Shetland by 14.8 per cent, Western Isles 7 per cent, and by 6.6 per cent for the Highlands. Long-term unemployment rates in the HIE area (33 per cent) are similar to the Scottish average (33.2 per cent) in the same period.

Earnings and Household Incomes

Average earned income, while increasing over time, has not grown as fast as the rest of Scotland. In 1976, average gross earnings in the Highlands and Islands were 2.5 per cent above the Scottish average; this had fallen to 7.7 per cent below the Scottish average by 1999. Average income, recorded for the year 2000 in the Highlands for full-time employees, is estimated at £18,500, which is £1,640 (9 per cent) below the Scottish average. Moreover, almost 30 per cent of full-time workers earned less than £250 per week, which suggests that housing affordability may be an issue for a significant number of households.

Reliable data on household income is difficult to obtain. However, from what is available it is suggested that average household income in the Highlands and Islands is £16,583; this is 14 per cent below the Scottish average of £18,975. Within the Highlands, the Wider Inverness HMA averages £774 above the Highland and Islands average.

The level of Family Credit claimants as a percentage of the total workforce is often taken as an indication of low income levels within the working population who have children. The latest available data for 1999 indicates that:

- Highlands and Islands levels of family credit claimants are approximate to the Scotland figure of 3.3 per cent.
- Shetland's low claimant figure of 2.2 per cent has a direct correlation to its historic low levels of unemployment.
- There are lower levels of claimants than the Scotland level in Orkney and the Western Isles, which could be due in part to low take-up rates.

Given the low income levels in Highlands and Islands there is a concern that there is an under take-up of state benefits designed to assist low income families.

Conclusion

Downturns in tourism, agriculture and fishing sectors will have a greater proportionate impact in the Island authority areas and areas of Highland outside the Wider Inverness HMA. Reduction, or lack of growth in income, will increase demand on the social rent sector, and make local households less able to compete for private sector accommodation, with households from elsewhere seeking to locate or acquire a second home or holiday accommodation.

Growth in the service sector and further diversification of the economy in the Inner Moray Firth area will result in a smaller drop in the 16-34 age group compared to elsewhere, while in-migration will continue. However, as much of the employment growth has been and is expected to be in low pay and part-time jobs, then the impacts will be:

- Increasing demand for owner occupation particularly from two-income households.
- Increasing demand for social rent accommodation from lower income households.

Lack of local opportunities for young people in training, employment and accessing housing will increase the fragility of areas already fragile unless there is employment and housing activity to improve opportunities locally.

Communities Scotland 2002, Highlands and Islands Housing market Context Statement

Table 4: Analysing the Lanarkshire economy

The performance of the Lanarkshire economy has fluctuated in recent years with the level of output growing by an estimated 25 per cent between 1994 and 2001 compared to 10 per cent growth in the Scottish GDP (FAI). Despite this high aggregate growth, the growth in the Lanarkshire economy has typically fallen below that of Scotland year on year, boosted by very high levels of growth in 1995/96 and 1997/98 mainly due to inward investment in electronics and call centres. The FAI forecasts that the GDP in Lanarkshire will reach £6.4 billion by 2001, increasing its share of the Scottish GDP to 10.8 per cent from 9.5 per cent in 1994. FAI projections for 2002 to 2010 suggest that the Lanarkshire economy will grow by around 16.5 per cent, but again generally lagging slightly behind the annual Scottish growth. The peaks of 1995/96 and 1997/98 are not expected to occur again in the next decade.

A Changing Economic Structure

The 1990s in Lanarkshire have been characterised by economic diversification and modernisation in response to national and global trends. The share of services in the economy is expected to grow from just over half of GDP output in 1994 to 70 per cent by 2010, at the expense of manufacturing which is projected to fall from one third in 1994 to around under a quarter of GDP by 2010. The GDP share of the remaining sectors, agriculture, mining, electricity and construction, has remained relatively stable over the past six years but is expected to fall slightly to 2010.

Figures for Scotland show that by 1994 the service sector already accounted for 66 per cent of GDP and the growth of services is therefore likely to be less dramatic than Lanarkshire, which is basically 'catching up' with the rest of the country in this sector. At the same time, the overall share of manufacturing at the Scottish level has historically been lower than Lanarkshire and in 1994 accounted for only 22 per cent of the GDP output. By 2010 the differential in manufacturing between Scotland and Lanarkshire is expected to have narrowed considerably with the national share of manufacturing output projected to fall to 20 per cent compared to 24 per cent for Lanarkshire.

Despite the general shift from manufacturing to services, manufacturing continues to play a major role in the Lanarkshire economy at a level above the national average. The relative strength of the manufacturing sector in Lanarkshire has been due to the electronics industry, which has seen its share of manufacturing rise from 35 per cent in 1994 to 37 per cent in 2000. Recent fluctuations and uncertainty within the electronics industry is reflected in GDP projections suggesting a possible fall in its share of total GDP from 12 per cent in 1994 to 11 per cent by 2010. The future of the electronics sector will have profound effects on the strength of the Lanarkshire economy in the coming years.

The service sector in Lanarkshire is primarily being driven by the growth of distribution, hotels and catering which has seen its share of GDP increase from 18 per cent in 1994 to an expected 30 per cent in 2000. By 2010, distribution, hotels and catering is expected to be the most dominant sector in the Lanarkshire GDP, followed by public services and business and financial services. Transport and communication services (e.g. call centres) account for a significant 6 per cent of GDP.

The Impact on Employment

These changes in the GDP output and the structure of the economy have had major impacts on the type and distribution of employment. Employment changes have been most dramatic in the traditional sectors of agriculture and fishing, energy and water, and manufacturing, the latter accounting for the loss of some 4,300 jobs. The 9 per cent decline in manufacturing jobs has been particularly severe in Lanarkshire and compares to

the 5 per cent decline for the West of Scotland as a whole over the same period (SLiMS Labour Market Statement 2000, Lanarkshire). The biggest growth areas have been within banking, insurance and finance, transport and communications, and public services. In total, these three growth sectors have seen the addition of around 8,400 new jobs at a time when the West of Scotland experienced a decline or marginal increases in these employment sectors (SLiMS).

Projections for the period 2000-2008 (SLiMS) suggest the loss of a further 4,700 jobs in the manufacturing sector (-11 per cent), along with additional losses within the agriculture and energy sectors. As a result, job losses are expected amongst the traditional lower paid employment groupings, especially unskilled and skilled trades and plant and machinery operators. The highest employment gains are likely to be in managerial and administrative, sales and professional occupations.

The Labour Market

SLiMS projects considerable changes in the employment types between 2000 and 2008, most notably a fall of 10 per cent (-8,700) in the number of males in full-time employment against a 32 per cent (+3,200) increase in males in part time employment. This coincides with a projected fall of 2 per cent (-1,200) in females in full-time employment, which will be offset by an anticipated 10 per cent (+4,200) rise in the number of women working part-time. A growth in the number (4,200) of self-employed people is expected to replace some of the full-time posts lost but there is still likely to be a deficit in full-time jobs in the next decade. These changes in employment types have major implications for the earning potential of many workers, both male and female, who are turning to part-time employment as full-time posts decline and seeking work outwith the area. Current and projected changes in employment by sector and occupation groupings have resulted in new types of working arrangements with a growing emphasis on part-time, temporary working and fixed-term contracts. This itself has particular implications for housing as those in part-time work and temporary contracts often face added difficulties in securing a mortgage, making it difficult to enter or progress in the private housing market. Further, many of the new employment opportunities are located away from traditional areas, for example, at peripheral business parks and industrial estates which are not easily accessible to all.

Household Income and Earnings

Gross household income levels across Lanarkshire as a whole are around 4 per cent below the Scottish average. CACI paycheck data show that gross average household income including benefits, in Lanarkshire at March 1998 was £16,240, compared to £16,980 for Scotland. There are, however, considerable variations in income levels, with North Lanarkshire, at £15,300, falling notably below the Lanarkshire and Scottish averages. Conversely, the average household income in South Lanarkshire was estimated at £17,464. Interestingly, incomes for households living in the overlap areas with the Clydeside HMCS were higher than that of Lanarkshire and Scotland. CACI estimates that the income level for the Cumbernauld/Moodiesburn was £17,643 in 1998 and £17,464 for the East Kilbride/Strathaven and Cambuslang/Rutherglen areas.

The Scottish Executive's Economic Briefing reveals that the average gross weekly earning in Scotland for those in employment at April 2000 was £383. The level for North Lanarkshire fell slightly below this at £376. There was an average of £412 for men and £309 for women. In South Lanarkshire the average weekly earning was higher at £384 with the average for men (£435) significantly above that of women (£308).

Unemployment

Although the level of unemployment, as defined by claimant counts, decreased between 2000 and 2001 in Lanarkshire, the rate of decline was below that of Scotland as a whole. In North Lanarkshire unemployment fell by -3 per cent compared to -9 per cent in South Lanarkshire and Scotland respectively. In spite of recent improvements, unemployment levels in North Lanarkshire remain above the Scottish average, particularly within communities and groups of workers which previously depended on the traditional manufacturing activities. Unemployment rates at ward level remains highest in Craigneuk (Wishaw), Pather and Gowkthrapple (Wishaw), Forgewood (Motherwell), and Kirkwood (Coatbridge). In South Lanarkshire, unemployment is highest in Burnbank/Blantyre, Low Blantyre, Larkshall South and Whitehill (Hamilton).

Implications for Housing

The economic and demographic changes that have taken place and are likely to occur over the next decade will determine the needs and demands for future housing and service provision. The extent to which they do so will be greatly influenced by a number of other factors, not least public intervention through Government subsidy and land use planning policies, as well as investment decisions by key private sector players such as developers, property agents and mortgage providers. It is also influenced by the confidence and behaviour of consumers in the housing market.

The picture emerging for Lanarkshire suggests that significant numbers of people may continue to be excluded from, or marginal to, the new economic structure through job losses, skills gaps, part-time and temporary working, and geographic isolation from the new employment centres. While demand for suitable rented accommodation will continue, these economic developments are also likely to have a significant impact at the lower margins of the owner occupied market where condition and resales are already proving problematic in some areas. At the other extreme, future growth in the numbers of higher paid managerial and professional posts will create additional demands for executive type housing which is in relatively short supply in some parts of Lanarkshire. It is important that suitable accommodation is available to meet the needs of these households across Lanarkshire. At the same time, changes in household composition and a general ageing of the population will have implications for the size and type of properties required and associated support services. It is vital that housing and planning policies are co-ordinated with other service providers and the private sector within partnership frameworks in order to respond to the changing needs of the population at present and in the years to come.

Key Issues Summary

Economic

The Lanarkshire economy has been particularly adversely affected by the decline in manufacturing but has restructured considerably over the last decade.

Projections show that the economy will grow at a rate below the Scottish average.

Lanarkshire remains more dependent on manufacturing activities than other areas of Scotland and the UK, particularly high tech and electronics industries. These industries are prone to fluctuations such as occurred in Lanarkshire during the latter 1990s.

The share of services in the Lanarkshire GDP is expected to grow from 50 per cent in 1994 to 70 per cent in 2010.

The manufacturing sector is expected to lose around 5,000 jobs from Lanarkshire between 2000 and 2008.

Traditional lower paid employment categories are expected to experience the most dramatic job losses.

Growth areas are likely to be banking, insurance and finance, transport and communications.

Managerial and professional occupations are projected to increase, along with part-time and temporary working.

Incomes and earnings are considerably below the national average in North Lanarkshire.

Unemployment blackspots in the Lanarkshire HMCS area are focused in communities most affected by the decline in traditional activities.

Demographic

Decline is projected in the population of Lanarkshire.

A younger than average age profile currently exists in Lanarkshire compared to Scotland.

Significant decrease in number of younger people under 34 years of age is projected

Slight increase expected in the 35-64 years age group, representing the most stable influence on demand within the housing market.

Particularly high increase in the number older people is expected; especially those aged over 75 years.

An increase in the number of households is expected.

A substantial increase in one-person households is likely.

Family type households with two parents and dependent children will continue to decline both numerically and in percentage terms

Source: Communities Scotland 2002, Lanarkshire Housing Market Context Statement

Using a scenario approach

Working out, in housing terms, what the available information actually means is in some instances the most difficult task, and the one that needs the finest judgement. Table 5 shows how difficult it can be to determine how a complex local economy operates.

As with demographic projections, instead of looking for definitive conclusions, it is better to develop alternative scenarios. Table 6 provides an example of employment growth scenarios prepared for the Western Isles.

The outcomes of this economic audit analysis will therefore be:

- A current picture of the economic vibrancy of a local housing system - including its key positive and negative attributes.
- Identification of key factors that will influence its economic future.
- Future possible economic scenarios based on those factors.

Table 5: Housing and labour markets in Glasgow

In a series of papers David Webster has examined the interaction between the housing system and labour market in Glasgow. This work (e.g. Webster, 1994; Turok and Webster, 1998), and also work by Turok and Edge (1999) created both heat and light in debates about housing and its impact on employment across space (e.g. Morrison, 1999; DTZ Pineda, 2000) but it is indicative of the important ways housing and labour markets function, particularly in restructuring conurbations such as Greater Glasgow.

Webster argues that, particularly for peripheral areas in Glasgow, location does matter in explaining unemployment. In effect, it is not labour supply characteristics but the lack of nearby work (the inaccessibility of these locations) that is the root of high levels of unemployment. Webster draws together an impressive array of statistical models and analysis to arrive at these conclusions. The policy ramifications are that he argues for unemployment policy to ditch the supply-side characteristics approach to tackling unemployment. Instead there should be a reintegration of job creation approaches through physical area regeneration, a targeting of policies towards the development of industrial property in areas of high unemployment and progress in pursuing effective integrated transport policies for more peripheral neighbourhoods.

Turok and Edge go on to make the case by concluding that:

- There has been a strong urban to rural shift in employment
- That the absolute decline in employment in cities is long-standing
- That job decline has been worst in urban cores and
- The rate of employment change has generally exceeded that of population change

Their policy conclusions are that

- Insufficient attention has been paid to this city-non-urban job change
- Urban land policy has to promote job growth
- Less emphasis should be placed on land for housing in cities
- Action should be taken on the demand side of the labour market by focusing on blue collar employment, recognising the problems of economic inactivity and seek to increase the demand for labour as a policy goal

Philip Morrison takes issue with this perspective and argues that metropolitan labour markets can be viewed as either segmented spatially or seamless markets. The seamless view argues that supply characteristics do matter and allow high skilled workers to out-compete the disadvantaged across the entire labour market. The losers in this competition may not have the accessibility of the skilled but it is the seamlessness of the market that prevents any more than a city-wide proportion of jobs being secured by would-be workers in any given sub-division of a city. Under this scenario, believed to be more accurate by Morrison, the supply-side clearly does matter. The connection between housing and labour markets is therefore more indirect and subtle in Morrison's view of the world (the low skilled uncompetitive labour force may still live in segmented neighbourhoods but their lack of ability to compete is a metro-wide phenomenon).

The implications of this debate for LHSA analysis are that one has to think through the housing implications of employment change but equally to be aware of the labour impacts of job change across space. There may also be direct and indirect housing consequences of labour market policies operating at the urban or regional scale.

Table 6: Employment scenarios, Western Isles**Background**

This document seeks to plot economic growth scenarios for the Western Isles for the period up to 2010. Three scenarios have been outlined based around low, medium and high growth projections.

The number of employees in the Western Isles was approximately 10,000 in 2001. Resident employment (i.e. Western Isles residents employed externally) is assessed as being circa 11,000. The following scenarios take the 10,000-employee figure as baseline.

The structure of the Workforce in the Western Isles in 2001 was as follows: (Office for National Statistics)

Sector	Western Isles (%)	Numbers
Agriculture	7.0	700
Utilities	2.0	200
Manufacturing	8.0	800
Construction	3.0	300
Retail, Catering, etc	27.0	2,700
Transport & Communications	6.0	600
Financial Services	9.0	900
Public Services	34.0	3,400
Other Services	4.0	400
Total	100.0	10,000

The Western Isles economic structure is highly unusual, with activity narrowly focused in certain sectors. The public sector has a dominant position within the overall economy.

The main areas of growth are anticipated to be around the key drivers identified in the joint Comhairle / WIE / HIE "Creating Communities of the Future" (CCoF) strategy. These drivers are renewable energy; broadband; heritage and cultural development; business infrastructure; UHI MI; and jobs dispersal.

The Futureskills Scotland report "The Labour Market in Rural Scotland" outlines trends and projections in regard to future labour requirements. Although the figures cannot be disaggregated to a Western Isles level they do provide reasonable expansion and replacement trend analysis.

Expansion Demand: total employment is anticipated to remain broadly stable, but there will be considerable change within industries and occupations. This can be summarised as follows:

- Employment growth will be confined exclusively to the service industries.
- The number of jobs in the primary sector will continue to decline.

Replacement Demand: significant numbers of jobs will require to be filled as a result of people retiring or moving to other jobs. Declining industries will also require new people. Requirements can be summarised as follows:

- Substantial inflows will be required in distribution, hotels, health and education services.
- New entrants will be required in agriculture and construction.

Low Growth

This scenario is based around none of the major strategic initiatives in areas such as renewable energy or jobs dispersal being achieved. It assumes a small level of expansion demand based around labour flexibility and assumes replacement demand being broadly achieved. The main changes will be within industries and occupations. This scenario is broadly standstill and will have little implication for the LHS.

Sector	Western Isles (%)	Numbers
Agriculture	6.5	700
Utilities	2.0	200
Manufacturing	8.0	800
Construction	3.0	300
Retail, Catering, etc	28.0	2,900
Transport & Communications	6.0	600
Financial Services	9.0	900
Public Services	33.5	3,450
Other Services	4.0	400
Total	100.0	10,250

Medium Growth

This scenario is based around the partial achievement of the aspirations outlined in CCoF. Key assumptions are as follows:

Renewable Energy: investment in major winds farms will proceed, but at a lower level than originally anticipated. Downstream manufacturing benefits accrue. Community based projects begin to progress as does activity in more innovative technologies such as wave / tidal and hydrogen. Total job creation from these activities is placed at **200 FTE**.

Broadband and UHI MI: the Connected Communities infrastructure is successfully rolled out leading to steady growth in e-commerce and activity at Lews Castle College. The technology also allows for growth in the local creative sector and facilitates remote working and inward investment opportunities. Total job creation from these activities is placed at **150 FTE**.

Heritage & Cultural Development: investment in heritage, cultural and tourism infrastructure leads to continued tourism growth. Annual tourism growth moves from 2.5% to 3%. Total job creation from these activities is placed at **50 FTE**.

Business Infrastructure and Jobs Dispersal: continued investment in infrastructure, allied to the introduction of broadband, allows for new job dispersal opportunities (particularly in the public sector) to be achieved. Total job creation from these activities is placed at **50 FTE**.

Expansion / Replacement Demand: there is a small level of expansion demand across most sectors stimulated by CCoF related investment. Replacement demand is broadly achieved. Total job creation from expansion / replacement is placed at **50 FTE**.

Wider Economic Benefits

Indirect Impacts: (growth resulting from purchase requirements)

Direct Job Creation	500	
Sectoral Average Multiplier	0.74	
Containment of Purchases	25%	
Total Indirect Impact	=	90 (500 x .0.74 x .25)

Induced Impacts: (impact of spending by those employed as a result of growth)

Direct Job Creation	500	
Indirect Job Creation	92	
Multiplier	0.25	
Total Induced Impact	=	140 (592 x .25)

In assessing wider economic benefits construction externalities have not been taken into consideration. Displacement has been assessed as negligible at the Western Isles level.

Total Impact	
Direct Employment	500
Indirect	90
Induced	140

Total	730
	===

	Western Isles (%)	Numbers
Agriculture	6.5	700
Utilities	2.0	250
Manufacturing	9.0	980
Construction	4.0	400
Retail, Catering, etc	27.5	2,950
Transport & Communications	6.0	600
Financial Services	9.0	950
Public Services	32.0	3,450
Other Services	4.0	450
Total	100.0	10,730

High Growth

This scenario is based around significant and sustainable achievement of the key aspirations outlined in CCoF. Key assumptions are as follows:

Renewable Energy: large-scale investment in winds farms proceed, leading to major downstream manufacturing benefits. A range of community based projects are successfully implemented, with significant achievement made in regard to the introduction of new energy technologies. Total job creation from these activities is placed at **350 FTE**.

Broadband and UHI MI: the Connected Communities infrastructure provides a major boost to the local creative sector and stimulates significant activity in the e-economy. Lews Castle College grows as a result of technology improvements and its establishment as a centre of excellence in energy-related disciplines. Total job creation from these activities is placed at **250 FTE**.

Heritage & Cultural Development: investment in heritage, cultural and tourism infrastructure leads to accelerating growth in the tourism sector. Annual tourism growth moves from 2.5% to 3.5%. Total job creation from these activities is placed at **150 FTE**.

Business Infrastructure and Jobs Dispersal: continued investment in infrastructure, allied to the introduction of broadband, allows for new job dispersal opportunities (particularly in the public sector) to be achieved. Total job creation from these activities is placed at **250 FTE**.

Expansion / Replacement Demand: there is a small level of expansion demand across most sectors stimulated by CCoF related investment. Replacement demand is broadly achieved. Total job creation from expansion / replacement is placed at **100 FTE**.

Wider Economic Benefits

Indirect Impacts: (growth resulting from purchase requirements)

Direct Job Creation	1,100	
Sectoral Average Multiplier	0.74	
Containment of Purchases	25%	
Total Indirect Impact	=	200 (500 x .0.74 x .25)

Induced Impacts: (impact of spending by those employed as a result of growth)

Direct Job Creation	1,100	
Indirect Job Creation	200	
Multiplier	0.25	
Total Induced Impact	=	325 (1,300 x .25)

In assessing wider economic benefits construction externalities have not been taken into consideration. Displacement has been assessed as negligible at the Western Isles level.

Total Impact	
Direct Employment	1,100
Indirect	200
Induced	325

Total	1,625
	=====

Sector	Western Isles (%)	Numbers
Agriculture	6.5	750
Utilities	3.5	425
Manufacturing	9.5	1,100
Construction	5.0	600
Retail, Catering, etc	27.5	3,150
Transport & Communications	6.0	700
Financial Services	8.0	950
Public Services	30.0	3,450
Other Services	4.0	500
Total	100.0	11,625

Source: Western Isles Council, 2004

A sensible approach is to consider three scenarios: a baseline scenario; an optimistic one; and a pessimistic one. While these scenarios will be based on the relevance and quality of the data, it may be that the less firm data associated with variables like local infrastructure or government development strategies might make the optimistic or pessimistic scenario the favoured option in some circumstances.

In order to fit in with demographic projections, scenarios should provide actual numbers relating to housing requirements. For example will trend migration projections from chapter 6 on demographics need to be altered to take into account changing local economic performance, and if so by how much?

Issues arising from local economy – housing links

Ultimately the picture that is built up of the existing local economy and associated future scenarios will be used in helping estimate the scale of housing need and demand as well as the type of housing required and possibly also location. More particularly, consideration of current and future economic circumstances can lead to early identification or better understanding of two types of housing system imbalance.

First, a strong economy, and rapid growth of an economy is often linked with affordability problems in the housing system. Affordability is discussed extensively in later chapters. Associated with this there may be expansion of the geographic boundaries of the local housing system, of the type discussed in Table 1 of chapter 9.

Secondly, a weak economy or one that is declining in relative or absolute terms is often a root cause of low demand problems, particularly low demand for owner occupied housing. Low demand and the role of the economy in this are discussed in chapters 8 and 9.

Where information presents a picture of a strongly expanding economy, analysts should therefore look at the extent and possible growth of affordability problems in the housing system; where the reverse, they should look for signs of emerging low demand. Conversely, where the housing system shows evidence of affordability or low demand problems, analysts should look to determine how much of the problem is being driven by change in the local economy.

Data sources and issues

Local economic analysis and local labour market analysis is the domain of unitary local authority planning departments, economic development departments and local enterprise companies (LECs). In the main, it is not anticipated that LHSA should involve new work in this area for analysts. Table 7 summarises the main data sources on the economy that analysts should consider. Annex 3 provides a more detailed discussion of these and other relevant sources.

Table 7: Data sources for local economic and employment trends and prospects	
	Dataset Source
Industrial Profile	Census of Population Census of Employment Commercial Forecasts: Experian - Business Strategies ¹ Cambridge Econometrics ² One-off Studies/Local Surveys/Consultancy Reports (ad hoc)
Standard of Living (GDP, earnings etc)	Regional Trends ³ Scottish Economics Statistics ⁴ CACI PayCheck ⁵ One-off Studies/Local Surveys/Consultancy Reports (ad hoc)
Labour Market patterns and forecasts	Nomis - official labour market statistics ⁶ SLIMS Labour Market Intelligence Services ⁷ Scottish Economics Statistics ⁸ Scottish Social Statistics ⁹ Regional Trends ¹⁰ Scottish Executive Labour Market Data ¹¹ Scottish Parliament Guide To Statistical Sources on Scottish Economy ¹² One-off Studies/Local Surveys/Consultancy Reports (ad hoc)
General Commentary	Financial Times.com ¹³ Economist.com ¹⁴ The Bank of England - Quarterly Bulletin ¹⁵

Key information sources on national and regional government decisions regarding tax and public expenditure include the annual budget and pre-budget statements by the Chancellor and Treasury/Scottish Executive public expenditure plans. Government departments also publish key policy documents, in areas like regional development and immigration, and these are usually free for downloading from websites. Commentary on all this information is available in regular publications, such as The Financial Times, the Economist, the Bank of England Quarterly Review and Labour Market Trends. As economic forecasts change over time it is important to review and update those being used on a regular basis.

¹ <http://www.business-strategies.co.uk/BSHome.asp>

² <http://www.camecon.com/services/regional/top.htm>

³ <http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=836>

⁴ <http://www.scotland.gov.uk/stats/ses/ses-00m.asp>

⁵ <http://www.caci.co.uk/cp-income.htm>

⁶ <http://www.nomisweb.co.uk/>

⁷ <http://www.slims.org.uk/>

⁸ <http://www.scotland.gov.uk/stats/ses/ses-00m.asp>

⁹ <http://www.scotland.gov.uk/stats/sss/sss-00.asp>

¹⁰ <http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=836>

¹¹ <http://www.scotland.gov.uk/about/ELLD/EI/00015648/page1482878951.aspx>

¹² http://www.scottish.parliament.uk/S1/whats_happening/research/pdf_subj_maps/smda00-01.pdf

¹³ <http://news.ft.com/home/uk>

¹⁴ <http://www.economist.com/>

¹⁵ <http://www.bankofengland.co.uk/qb>

A good starting point for gathering information and collecting data is a perusal of the following documents:

- [Scottish Economics Statistics](#)¹⁶ (annual).
- [Scottish Social Statistics](#)¹⁷ (occasional).
- [Regional Trends](#)¹⁸ (annual).

The Scottish Executive publishes a broad range of data including regularly updated information on the [labour market](#)¹⁹ at local authority and parliamentary constituency levels. More generally, the Scottish Parliament has provided a useful summary of statistical sources on the [Scottish Economy](#)²⁰.

It is important to recognise the limitations of local level data where the locality is thinly populated. For example, it may be that survey sample sizes are very small and unreliable when making year on year comparisons. Such areas are also more vulnerable to extreme reactions from changes in local economic conditions i.e. the opening/closure of a principal employer or the rise/decline of a particular industry can have a disproportionately large impact on the local economy and the local labour market. These data difficulties mean that in such areas it is even more essential than usual to consider the coherence of the information being gathered and to make judgments on the reliability of the sources available.

Local knowledge

Wherever possible it is good practice to supplement statistical sources with discussions with local economic development agencies and employers. More generally, local knowledge can come from a variety of sources these include:

- Individuals who have a long association with an area and who can provide a more rounded view of apparent trends. They are also good sources for finding out the cause of statistical oddities that may be produced by one-off events e.g. large business opening/closure at a specific time. Other sources might include local business persons, LEC employees and local government staff.
- One-off past reports done internally or by consultants. These can often surface information that is not available from any other source, although it may be that it only provides a point in time snapshot and that no trend data is obtainable.

¹⁶ <http://www.scotland.gov.uk/stats/ses/ses-00m.asp>

¹⁷ <http://www.scotland.gov.uk/stats/sss/sss-00.asp>

¹⁸ <http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=836>

¹⁹ <http://www.scotland.gov.uk/about/ELLD/EI/00015648/page1482878951.aspx>

²⁰ http://www.scottish.parliament.uk/S1/whats_happening/research/pdf_subj_maps/smda00-01.pdf

Summary of outputs

It should be clear by now how much the process of gauging economic impacts on local housing systems is lacking in hard and fast rules. For example, what evidence is available for any given locality and how robust and relevant that data might be will vary extensively from place to place.

Subject to the quality of the data available, the main outputs of an analysis of the economic influences on the local housing system will be a local economic audit covering:

- A description of local industrial structure, with tables showing how it has changed, how it is forecast to change, and how it compares with the regional/national position.
- A table summarising the broad assessment of the local relative standard of living, showing how it has changed and how it may change in the future.
- A description of the flexibility of the local labour market, using tables to illustrate its past, present and future relative competitiveness.
- A broad assessment of the local economic infrastructure in relation to social (i.e. schools and hospitals etc) and physical (i.e. transport and ICT) assets.
- A description of the national economic environment underpinning the local economy, including a description of relevant government economic policy.

In addition analysts should look to have in place a number of possible future economic scenarios based on a wide view of a locality's relative economic competitiveness. Lastly, analysts should have developed a view on the implications of economic trends for the local housing system, and specifically considered whether there are particular affordability or low demand issues arising from current or future economic prospects.

