



## Policy Assessment Model

### Case Study 1 - Baseline Analysis

Version 1.0 for publication

Last modified: 28 October 2010

#### 1 Introduction

The Policy Assessment Model (PAM) is not a traditional forecasting tool. Whilst one of the inputs to the PAM is a standard regional economic forecast, the PAM integrates it with other economic and demographic datasets. It combines these to give us an understanding of the key relationships and how they impact on each other. Ultimately it provides a much more practical and useful understanding of the West Midlands than a standard economic forecast, which is purely based on historical trends as a predictor of the future.

Although the PAM's main benefit is in analysing the impact of different scenarios, such as policy options, it can be run without making any changes. This provides us with a baseline forecast, which other scenarios can be compared with. This is effectively the 'policy off' position, whereby forecasts are based mainly on projecting forward past trends.

For the West Midlands as a whole, the baseline results will be very similar to those from standard economic models. However, the more sophisticated nature of the PAM, taking account of the links between places and of population and land use factors, means that the detailed results should be more realistic.

Some of the headline results from the PAM baseline forecasts are presented in this case study. These take into account the economic recession which happened in 2008 and 2009. However, they do not account for the impact of planned public sector spending cuts, which are covered in Case Study 2.

## 2 Employment

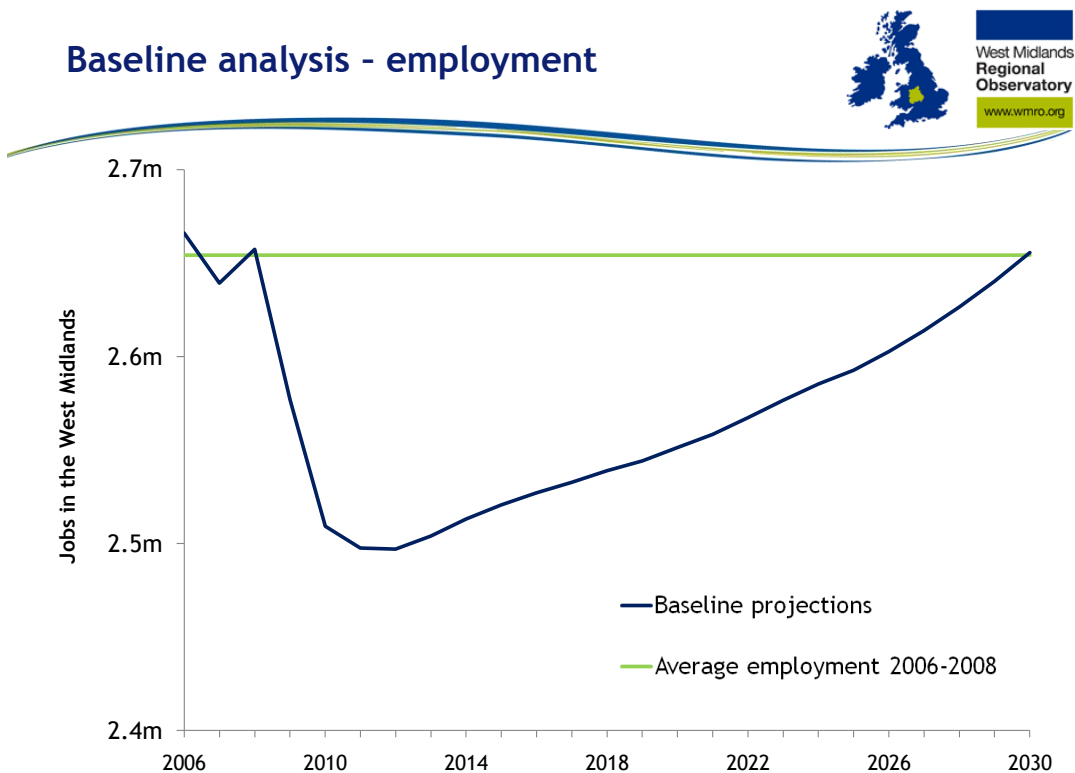
### 2.1 West Midlands Analysis

As a result of recent economic pressures, employment in the West Midlands has fallen, and is projected to reach its lowest point of just under 2.5m between 2011 and 2012. Following this, employment in the region is projected to grow steadily. However, despite this growth, the West Midlands will not recover to pre-recession levels of employment until 2030. The main drivers of future employment growth are likely to be:

- Construction
- Computing Services
- Professional Services
- Health & Social Work sectors

In contrast, over this period, the West Midlands is likely to see job losses in:

- Motor Vehicles
- Distribution
- Public Administration & Defence

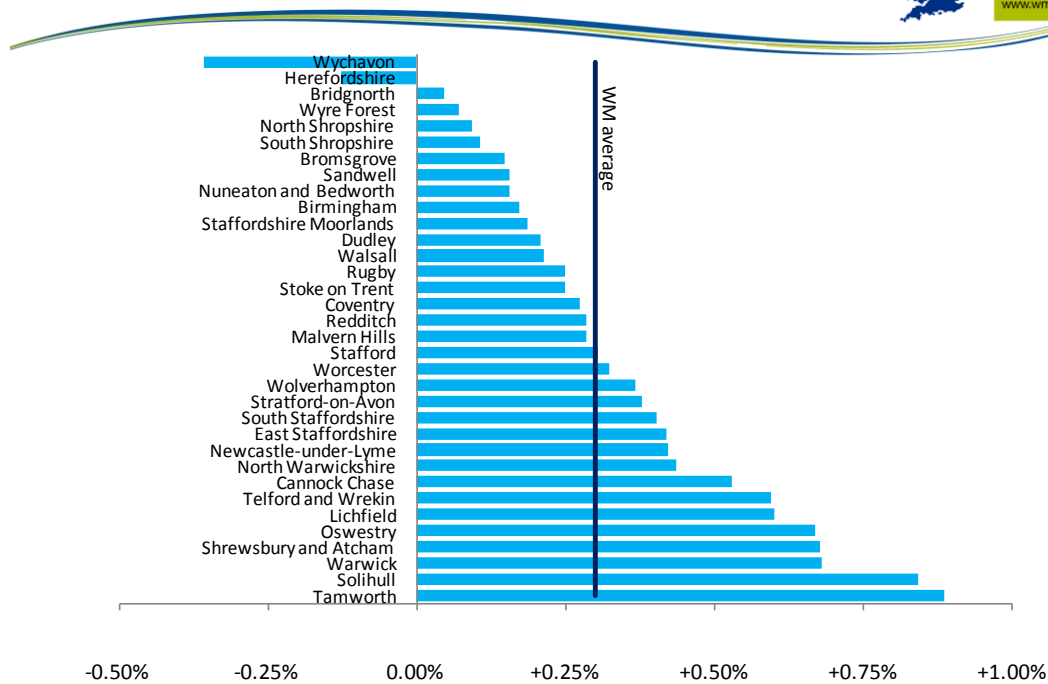


## 2.2 Local Authority Analysis

The chart below shows the average annual growth in numbers of jobs at a local authority level over the same period. The local authorities of Tamworth and Solihull are forecast to have the largest average annual growth rates over the next 20 years. At the other end of the spectrum, Wychavon and Herefordshire are expected to see a fall in employment over the same period.

The scale of job losses during the recession means that even the fastest growing areas aren't projected to return to pre-recession employment levels until around 2020. In contrast, most of those areas projected to see below average growth rates will still have fewer jobs than pre-recession in 2030.

### Baseline analysis - average annual growth in numbers of jobs, 2010-2030

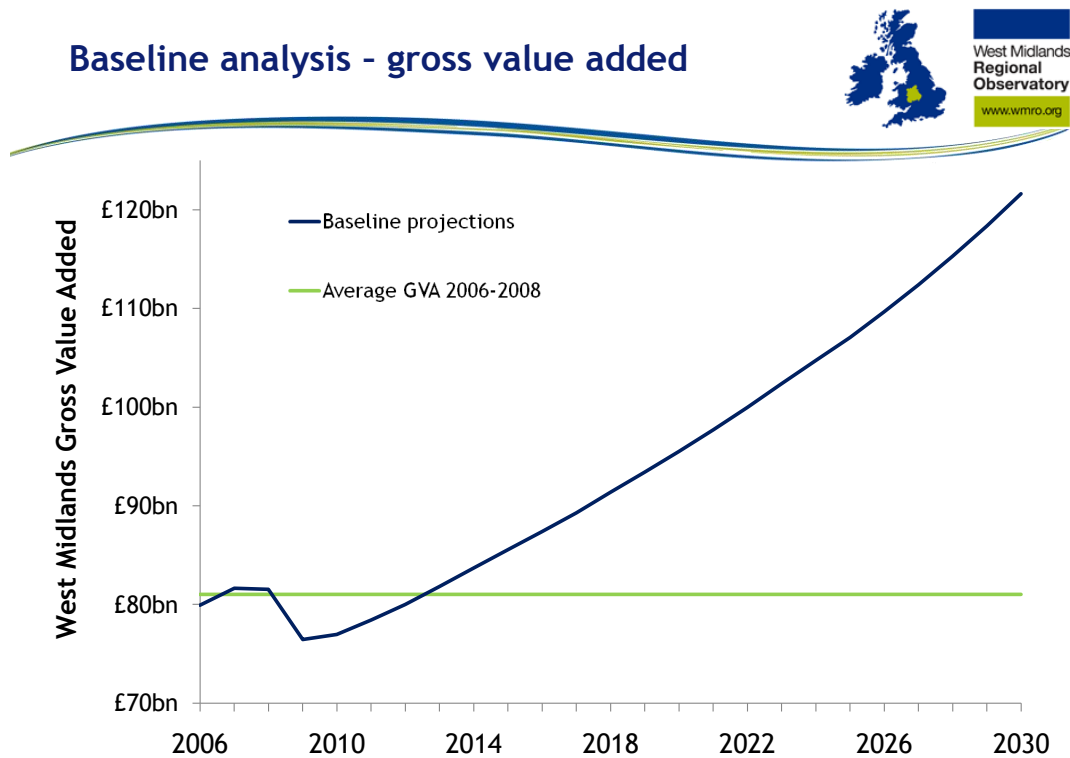


### 3 Gross Value Added

#### 3.1 West Midlands Analysis

We have seen that employment recovery in the West Midlands is very slow. However, as the chart below shows, output is projected to return to pre-recession levels in 2012 or 2013 and to grow steadily thereafter. The sectors expected to drive this output growth are:

- Retailing
- Banking & Finance
- Computing Services
- Professional Services
- Health & Social Work



#### 3.2 Local Authority Analysis

As with employment, the distribution of GVA growth is not equal across all local authorities. Warwick, Solihull, Tamworth and Telford & Wrekin are forecast to have GVA growth notably faster than the West Midlands Average. It is perhaps worth noting that, in relative terms, GVA growth in Warwick and Telford & Wrekin will be faster than employment growth, suggesting improving productivity there.

Whilst still experiencing growth, Wychavon, Sandwell and Wyre Forest are forecast to have a slower than average annual growth rate over the next 20 years. Wychavon, in particular, is projected to see much slower growth than other parts of the West Midlands, less than 2% per year.

Whilst it is projected to see a fall in employment, Herefordshire will see growth rates close to the West Midlands average, again suggesting that the county will see significantly improved productivity levels.

The drivers and inhibitors of this growth vary across local authority areas, reflecting different local strengths.

## Baseline analysis - average annual growth in gross value added, 2010-2030

