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‘Airport Towns’ in the South

The impacts of the pandemic on airport-related local economies – and potential responses

Discussion Paper for Catalyst South

SQW

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1. Introduction

Context and purpose

1.1 Commissioned by Catalyst South[1], the purpose of this Discussion Paper is two-fold: **to consider the emerging economic effects of the pandemic on the local economies close to major airports in the south; and – as a basis for discussion – to set out some possible responses.**

1.2 Covid-19 has had (and is having) a huge impact on airports – and on the aviation sector – as international travel has been severely curtailed for well over a year. The data presented below – sourced from the Civil Aviation Authority – provide one indication of the scale of the effect[2]. On some measures, London Heathrow has been more resilient than other airports (reflecting both its scale and its distinctive role) – but all have been affected badly.

Table 1-1: Change in aviation activity across Airports

	Air transport movements: flights in March 2021	% change since March 2020	Terminal passengers in March 2021	% change since March 2020
London Gatwick	487	-96.8%	35,417	-97.9%
London Heathrow	9,548	-65.6%	541,669	-82.6%
London Luton	1,236	-79.0%	102,107	-82.7%
London Stansted	1,522	-83.8%	44,774	-94.9%
London Southend	n/a	n/a	n/a	n/a
Southampton International	114	-90.3%	2,968	-87.7%
All UK airports identified by CAA	27,945	-75.4%	1,042,891	-89.3%

Source: CAA Airport Statistics for March 2021 (provisional); data sourced by SELEP

1.3 **Our concern here, however, is less the effects on the airports than the local economies that host them across (or close to) the geography of Catalyst South**. In all cases, the relevant airport is a major employer, particularly when auxiliary activities (linked for example to retail and catering) are included. In most cases, consistent with their international gateway functions, the local economies have also been shaped by businesses that are major airport users (e.g. major professional services businesses). These too have been (and are being) affected by the pandemic.

[1] Catalyst South is a grouping of six local enterprise partnerships in the south of England: Coast to Capital LEP, EM3 LEP, Hertfordshire LEP, Solent LEP, South East LEP (SELEP); and Thames Valley Berkshire LEP

[2] Note that Flybe collapsed shortly before the pandemic. This has had major implications for Southampton International Airport. The majority of flights ceased from early March 2020, ahead of the first lockdown. There have therefore effectively been two economic shocks for the local area.

Proxy definitions of 'Airport Towns'

1.4 There are six major airports in or close to Catalyst South[3]. As set out above, those airports are: *London Gatwick; London Heathrow; London Luton; London Stansted; London Southend;* and *Southampton International Airport*.

1.5 For local economic effects to be measured, spatial definitions need to be used. Many airports are physically on or close to administrative boundaries, but for measurement purposes, we need 'whole' local authority districts as the principal building blocks.

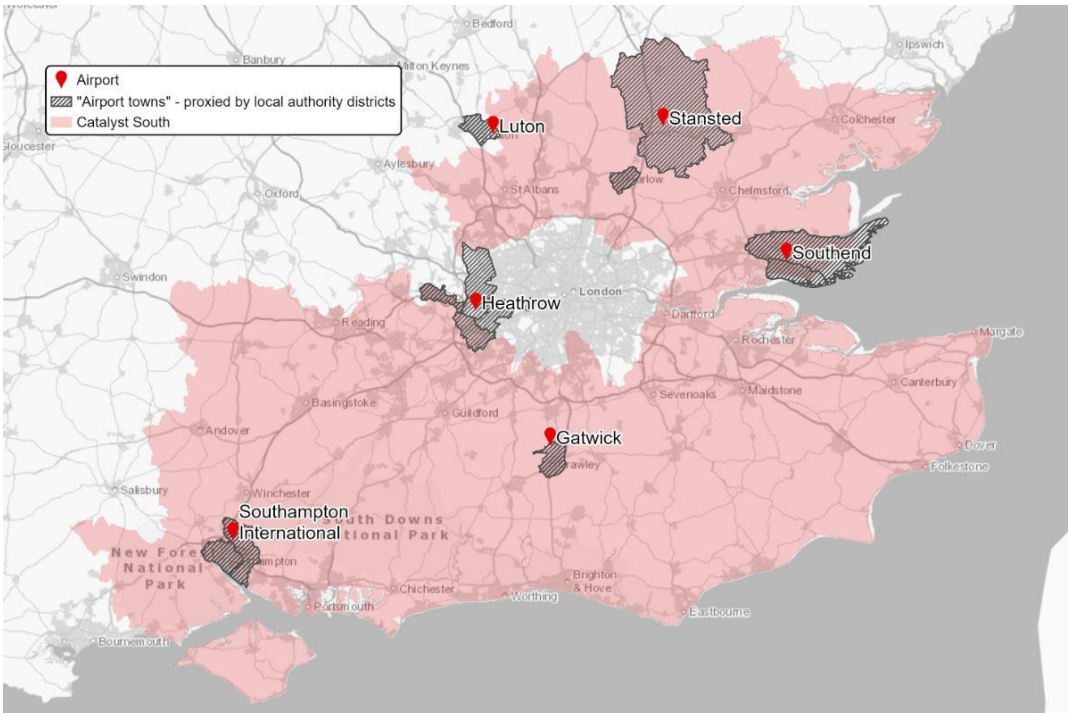
1.6 Following various discussions within Catalyst South, a proxy definition of the six 'Airport Towns' was developed. This is summarised below and then mapped in Figure 1-1. In practice, some of these definitions relate to towns (e.g. Crawley (adjacent to Gatwick Airport) and Luton), while others are broader economic areas (e.g. the area around Heathrow and Stansted airports). It should be noted that this definition is a rudimentary one – and many effects will be observed in other adjacent districts and beyond. In addition, the definition has no status or significance beyond the first-cut analysis which is presented here. Its purpose, simply, is to allow for that analysis and to 'shine a light' on the local economies which are closest to the major airports.

Table 1-2: Airports – and proxy definitions for 'Airport Towns' across Catalyst South

Airport	Local Authority Districts used to provide a proxy definition of 'Airport Towns' (or local impact areas)
London Gatwick Airport	Crawley
London Heathrow Airport	Slough, Hounslow, Hillingdon, Spelthorne
London Luton Airport	Luton
London Southend Airport	Southend-on-Sea, Rochford
London Stansted Airport	Harlow, Uttlesford
Southampton International Airport	Southampton, Eastleigh

[3] There are other airports within the geography of Catalyst South which will also have been affected by the pandemic. For example, Farnborough Airport in north Hampshire is important for business travel and it is locally significant. However the six airports listed here have been the focus for this analysis.

Figure 1-1: Airports – and 'Airport Towns' across (or close to) the geography of Catalyst South



Source: Produced by SQW 2021. Licence 100030994

1.7 In combination, these six 'Airport Towns' encompass a significant part of the economy of the south. **Together, the 'Airport Towns' account for a population of just under 2 million people and 1.1 million jobs.** Within this:

- Heathrow 'Airport Town' accounts for almost half of all jobs (and a similar, but slightly lower, proportion of the population)
- Districts outside of Catalyst South (two London Boroughs plus Luton) account for 43% of all employment.

Structure of this Report

1.8 The report which follows is divided into five further chapters:

- **Chapter 2** explores airport-related employment, and it considers the importance of the aviation sector for the economy of 'Airport Towns'
- **Chapter 3** presents an overall model which depicts how pressures on the aviation sector linked to Covid-19 are affecting nearby local economies
- **Chapter 4** summarises evidence on the scale and nature of immediate effects
- **Chapter 5** examines evidence relating to wider effects linked to local labour and commercial property markets

- **Chapter 6** considers prospects for aviation, airports and 'Airport Towns' and – as a basis for discussion – it sets out elements of a possible response.

1.9 There are, in addition, two annexes. Annex A reviews a number of published reports which investigate the economic impact of airports in the south. Annex B provides a synopsis of the local economies which are adjacent to the airports.

2. Local significance of airports and the aviation sector

2.1 Since March 2020, the pandemic has affected every local economy in the UK. The extent of the effect has varied depending very largely on the sectoral and occupational make-up. Typically, areas with sizeable hospitality and/or retail sectors have been hit harder than those with, for example, a high incidence of professional service or R&D-related employment. For 'Airport Towns', the economic shock has taken a particular form. At root, this reflects the local significance of airports and the aviation sector – and the wider supply chains linked to both.

Employment linked to airports

2.2 Employment linked to airports is difficult to measure through standard approaches. However various published studies have investigated the economic footprint associated with particular airports (see Annex A). It is important to note that these studies have been undertaken at different times for different purposes using different methodologies. In providing some form of 'baseline', all of the studies precede the pandemic and some precede other major developments. For example, the study of Southampton International Airport pre-dates the collapse of Flybe in early March 2020 (which occurred before the first lockdown).

2.3 Nevertheless, from a review of available literature, the table below summarises the **direct jobs** linked to each of the airports. It confirms that Heathrow was substantially larger as an employment hub than the other airports. Gatwick was the second biggest. On this metric, Luton and Stansted were broadly similar in scale and both were larger than either Southend or Southampton.

Table 2-1: The Airports' direct employment footprint (direct employment may refer to jobs at the airport or in close proximity to the airport and directly reliant on it)

Airport	Direct employment effect	Year	Source
London Gatwick	24,100 direct on-airport jobs, including 2,600 Gatwick Airport Ltd jobs	2019	Oxera[4]
London Heathrow	88,900 direct on- and off-airport jobs, of which 76,000 at the airport itself	2019	Oxford Economics[5]
London Luton	9,900 direct on- and off-airport jobs	2017	Oxford Economics[6]
London Stansted	11,000 direct on-airport jobs and 330 direct off-airport jobs	2015	MAG London Stansted Airport[7]

[4] *Economic impact of Gatwick Airport*, Oxera, April 2021, for Gatwick Airport Ltd.
[5] *The economic impact of reduced activity at Heathrow*, Oxford Economics, September 2020, for the Heathrow Community Engagement Board.
[6] *The Economic Impact of London Luton Airport*, Oxford Economics, June 2019, for London Luton Airport Ltd.
[7] *Stansted Airport Environmental Statement – Volume 1 (Chapter 11 Socio-Economic Impacts)*, MAG London Stansted Airport, February 2018.

Airport	Direct employment effect	Year	Source
London Southend	1,536 direct jobs, including 270 London Southend Airport Company Ltd jobs	2020 (Feb)	Esken[8]
Southampton International Airport[9]	950 direct on-airport jobs, including 200 Southampton International Airport Ltd jobs	2015	Steer Davies Gleave[10]

Source: SQW, 2021.

2.4 Airports also support the local, regional and national economy through **indirect[11] and induced[12] employment**. The table below summarises indirect and induced employment estimates for five of the airports. While the figures should again be treated with considerable caution, they are indicative of the scale of wider economic impacts. These 'multiplier' effects mean that for every job at the airport, more jobs are supported elsewhere in the economy[13].

Table 2-2: The Airports' indirect and/or induced employment footprint (indirect and induced effects refer to activity generated through supply chain and consumer spending effects respectively)

Airport	Indirect/induced employment effect	Year	Source
London Gatwick	45,900 indirect jobs across the UK 11,000 indirect jobs in the 'Gatwick Diamond'	2019	Oxera[14]
London Heathrow	36,700 indirect jobs and 8,100 induced jobs across the study area (Ealing, Hillingdon, Hounslow, Slough, South Bucks, and Spelthorne)	2019	Oxford Economics[15]
London Luton	8,600 indirect jobs and 9,000 induced jobs across the UK 2,200 indirect and 3,500 induced jobs in the surrounding subregions (Beds, Bucks and Herts) 300 indirect and 600 induced jobs in Luton UA	2017	Oxford Economics[16]
London Stansted	9,000 indirect or induced jobs across the study area (East of England and London)	2015	MAG London Stansted Airport[17]

[8] *Airports and their communities: Collaboration is key*, Esken, 2021.
[9] The collapse of Flybe meant that the number of jobs at Southampton International Airport was lower than the estimate for 2015 at the start of the pandemic (see Annex A for more detail)
[10] *The Economic Impact of Southampton Airport*, Steer Davies Gleave, October 2017, for Southampton International Airport Ltd.
[11] Indirect employment impacts occur through jobs supported by the supply chain of the airport and its on-site businesses.
[12] Induced employment impacts capture jobs supported through consumer spending – when those employed by the airport, by other on-site businesses or by their supply chains spend their earnings in the wider economy.
[13] Note that estimates of the airports' multipliers vary between the studies, reflecting differences in methodologies, geographic areas and local economic conditions.
[14] *Economic impact of Gatwick Airport*, Oxera, April 2021, for Gatwick Airport Ltd.
[15] *The economic impact of reduced activity at Heathrow*, Oxford Economics, September 2020, for the Heathrow Community Engagement Board.
[16] *The Economic Impact of London Luton Airport*, Oxford Economics, June 2019, for London Luton Airport Ltd.
[17] *Stansted Airport Environmental Statement – Volume 1 (Chapter 11 Socio-Economic Impacts)*, MAG London Stansted Airport, February 2018.

Airport	Indirect/induced employment effect	Year	Source
London Southend	N/A		
Southampton International Airport[18]	1,300 indirect jobs and 350 induced jobs across the UK	2015	Steer Davies Gleave[19]

Source: SQW, 2021.

2.5 **Wider economic benefits** linked to airports are also relevant[20]. These are much more difficult to quantify, but they are important in relation to the economy of Catalyst South. They relate to the purpose of the airports as a key economic infrastructure. They reflect gateway functions for international tourism and business travel, the value of connectivity in determining investment decisions, and a range of labour market and wider agglomeration effects.

Aviation sector – employment

2.6 Our focus, however, is the local economies closest to the airports. From this perspective, it is helpful to consider the local expression of the aviation sector – which overlaps with, but is different from, 'activity at airports'. Across all six 'Airport Towns', the aviation sector was a major local employer before the pandemic. In 2019, it accounted for 110,000 jobs in total and generated an overall location quotient of 4.4 (see Table 2-3).

Table 2-3: Aviation and support activities sector employment with corresponding location quotients relative to England, 2019

Area	Employment		Location quotient
'Airport Towns', close to:			
Gatwick	21,000	(19%)	8.91
Heathrow	66,250	(60%)	5.69
Luton	7,000	(6%)	3.10
Southampton	6,000	(5%)	1.34
Southend	1,475	(1%)	0.68
Stansted	7,500	(7%)	3.55
'Airport Towns' combined	*110,000*	*(100%)*	*4.40*
Wider area			
Catalyst South	112,000		0.94

[18] The collapse of Flybe meant that the number of jobs at Southampton International Airport was lower than the estimate for 2015 at the start of the pandemic (see Annex A for more detail)
[19] *The Economic Impact of Southampton Airport*, Steer Davies Gleave, October 2017, for Southampton International Airport Ltd.
[20] It is important to note that these benefits are frequently seen beyond the boundaries of the proxy definitions; Windsor and Maidenhead, for example, is close to Heathrow Airport. It hosts major tourist attractions and sees many international visitors which link to the Airport's international gateway function. However it is outside the definitions used here.

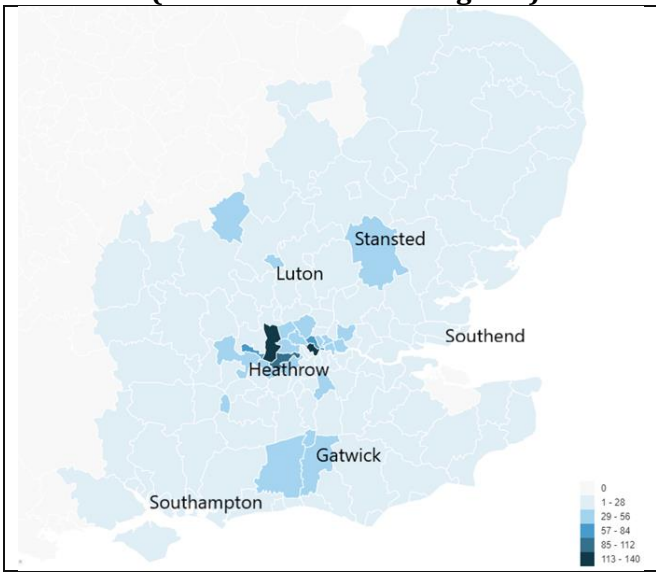
Area	Employment	Location quotient
South East, East and London	280,000	0.92
England	660,000	1.00

Source: Business Register and Employment Survey, 2021.
Aviation and support activities defined in terms of the following SIC codes: 33.16, 30.3, 51, 52.

Aviation sector – businesses

2.7 A similar pattern is evident from a review of business data[21]. Overall, 2,613 aviation businesses were identified across the three Government Office Regions that define the Greater South East. Some 12% of all companies were within Heathrow 'Airport Town' as defined here. Gatwick had the second highest concentration: there were 53 aviation businesses in Crawley, but the number rises to 187 if nearby districts are also included. The number of aviation businesses within, or close to, the other local areas was lower.

Figure 2-1: Distribution of aviation businesses across London, East of England and South East (Government Office Regions)



Gatwick	• 53 in Crawley[22]
Heathrow	• 337 (81 in Slough; 112 in Hillingdon; 102 in Hounslow; 42 in Spelthorne)
Luton	• 29 in Luton
Southampton	• 16 (3 in Southampton; 13 in Eastleigh)
Southend	• 23 (16 in Southend; 7 in Rochford)
Stansted	• 33 (30 in Uttlesford 30; 3 in Harlow)

Source: Data and map sourced by Hertfordshire LEP from Beauhurst
Note that SIC codes included here are: 51101 – Scheduled Passenger Air Transport; 51102 – Non-scheduled PAT; 51210 – Freight Air Transport; 52102 – Operation of Warehousing and Storage Facilities for Air Transport activities; 52230 – Service Activities incidental to Air Transportation; 52242 – Cargo Handling for Air Transport Activities

Conclusion

2.8 From the available evidence, it is apparent that the six local economies might be divided into three distinct groups:

[21] Note that the definition of the 'aviation sector' used here is slightly different from the one used in relation to 'employment'.
[22] In addition to aviation businesses in Crawley, there are: 36 in Mid Sussex; 43 in Horsham; 28 in Croydon; and 27 in Tandridge.

- in both absolute and relative terms, **the local economies linked to London Heathrow and London Gatwick have the highest incidence of aviation and related activities**; both are international hub airports (albeit there is a hierarchy between them) and both might be regarded as 'aviation clusters' (with head office and research functions linked to the airlines and their major suppliers)
- for **London Luton and London Stansted, the numbers are smaller but still very important locally**
- the local economies close to **Southampton International Airport and London Southend Airport are less dependent on aviation and related sectors in relative terms**; in part this reflects the nature of the airports, but it also points to two more diversified city (or larger town) economies in which the airport is one part of the mix.

3. Understanding the economic shock

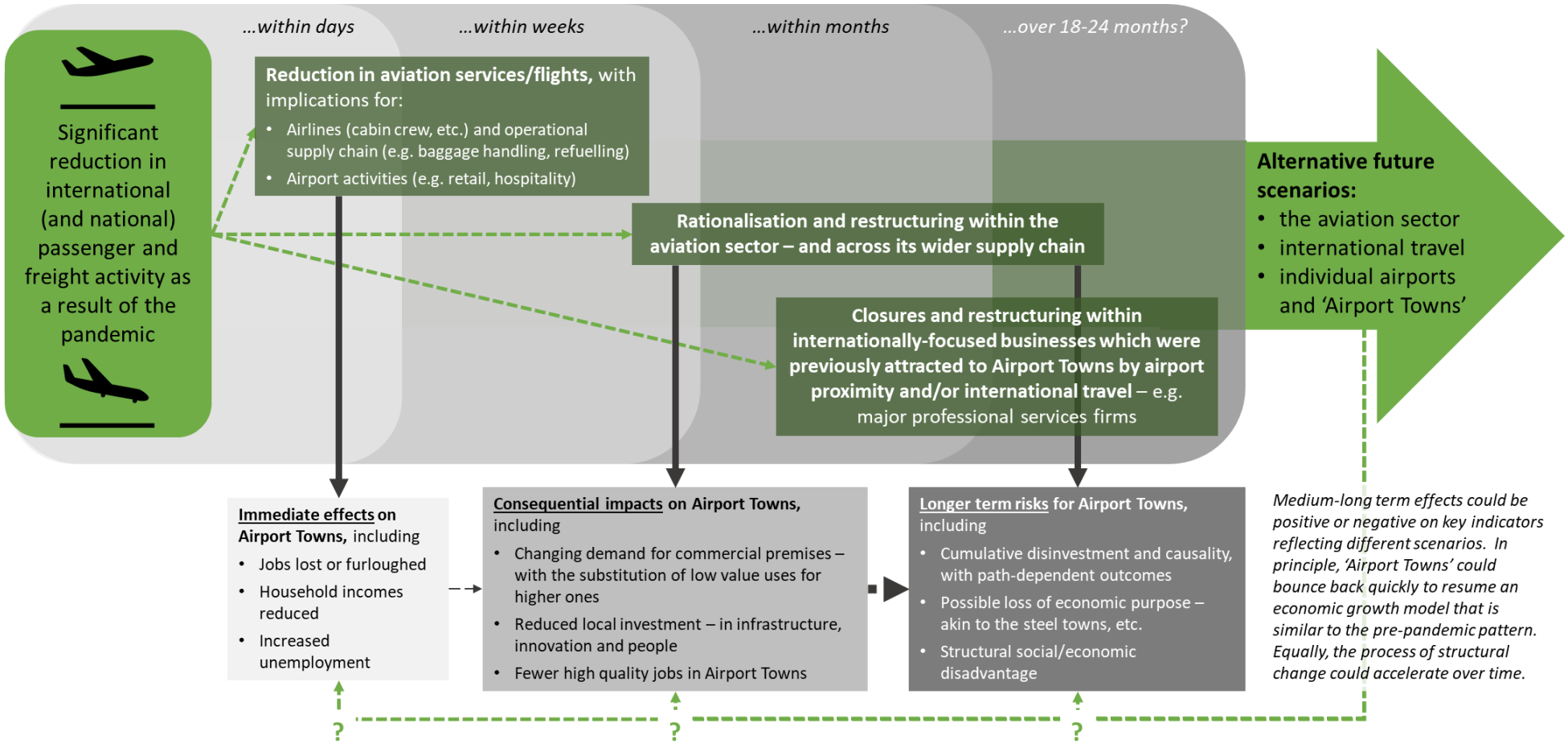
3.1 Against this backdrop, and following various discussions within Catalyst South – including with those observing first-hand the unfolding effects of the pandemic – an overall model was developed. Presented in Figure 3-1, this sets out, effectively, a series of hypotheses. It points to 'waves' of effects associated with the pandemic which have either been observed locally, or which appear to be unfolding currently, or which are anticipated in due course. These include:

- immediate effects, linked to the **cessation/disruption of airport activity** in part as a result of changing restrictions in relation to international travel and wider requirements to 'stay at home'
- the consequences for local areas of **the loss of capacity (through rationalisation and restructuring)** within the aviation sector
- the possible **implications of the changing functions of 'Airport Towns'** if their 'international gateway' functions start to diminish.

3.2 In relation to these processes, some effects are now in the past; some are on-going; and some are anticipated. Equally, some might prove to be temporary whilst others could be more enduring. Three overarching comments need to be made in seeking to explore them:

- First, for many national datasets, 'the latest' data still predate the pandemic and hence there is little robust evidence. This means that we need to rely on administrative datasets alongside qualitative and 'real time' experiences and data.
- Second, even when data are available, we need to recognise that these will shed light on overall outcomes in local economies. In other words, if some local businesses (perhaps unrelated to aviation) are recruiting locally, the full effects of the aviation-related economic shock will be dampened in the headline data. Indeed, it might be the case that some local economies are starting to 'bounce back' despite on-going pressures on the aviation sector and its local importance.
- Third, there is an important – but complicated – temporal dimension to all of this. Some effects may take years to be realised, but over this period, the future of aviation could take a number of different routes. Post-pandemic, it is possible that the aviation sector may recover fully and quickly – in which case some of the short term effects on 'Airport Towns' could, in principle, be reversed. But it is equally possible – particularly given environmental concerns and national commitments to Net Zero (and in aviation to Jet Zero (which is discussed later)), and long term trends towards automation – that the pandemic has precipitated even more profound changes which have yet to be fully realised. In sum, it is important to recognise that there is a range of scenarios for the medium-long term future of aviation and this in turn will have a dynamic relationship to the character and evolution of the local economies in which much of the sector is vested.

Figure 3-1: Understanding the economic shock in 'Airport Towns'



Source: SQW

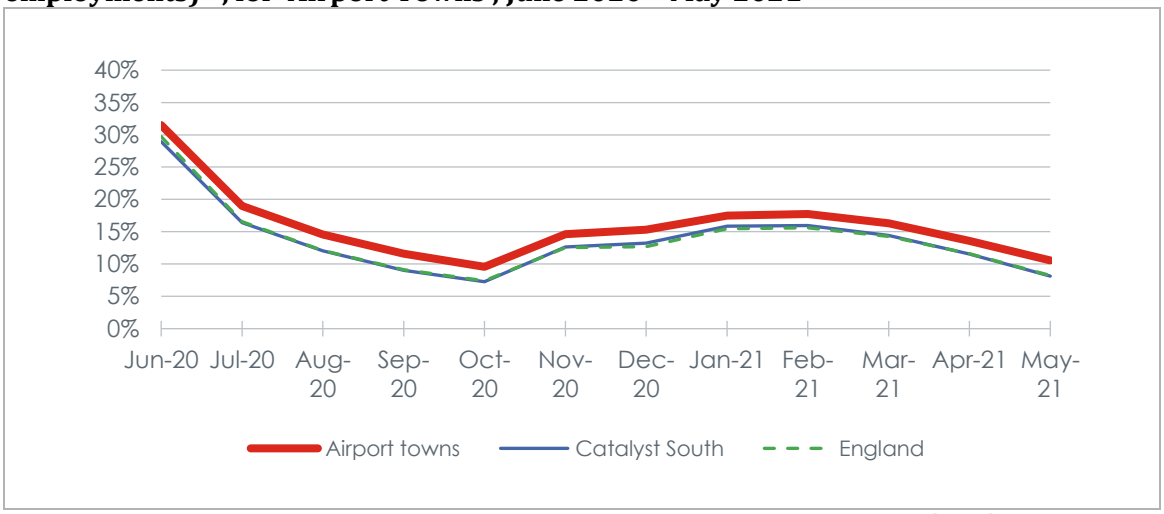
4. Immediate effects

4.1 This chapter examines key indicators which provide some insight into the nature and scale of the economic shock that has been (and is being) experienced in local economies close to the major airports.

Incidence of furlough through the Coronavirus Job Retention Scheme

4.2 Shortly after the start of the pandemic, government introduced the Coronavirus Job Retention Scheme (CJRS). Initially running for three months, CJRS aimed to prevent mass redundancies as it allowed employees to be kept on the payroll whilst businesses temporarily ceased or reduced trading. In practice, CJRS has been extended several times and the scheme is now expected to end in September 2021. This means (in all probability) that it has cushioned the effects of the pandemic, particularly in relation to business closures and job losses.

Figure 4-1: Furlough take-up rate (employments on furlough as % of total eligible employments)[23], for 'Airport Towns', June 2020 – May 2021



Source: HMRC, Annual Population Survey, 2021.
Airport towns: Crawley, Slough, Hounslow, Hillingdon, Spelthorne, Luton, Southend, Rochford, Harlow, Uttlesford, Southampton, Eastleigh.

4.3 Figure 4-1 above shows the incidence of furlough across the 'Airport Towns', Catalyst South and England. It is notable that the patterns across England and Catalyst South are almost identical. The pattern across the 'Airport Towns' mirrors the national picture, albeit it is consistently 2-3 percentage points higher: peaking at about 32% (of total eligible employments) during the early months of the scheme and then declining during early autumn 2020 to around 10% before rising again during the second wave to about 18% and then declining subsequently. **This suggests that more business activities were affected by the**

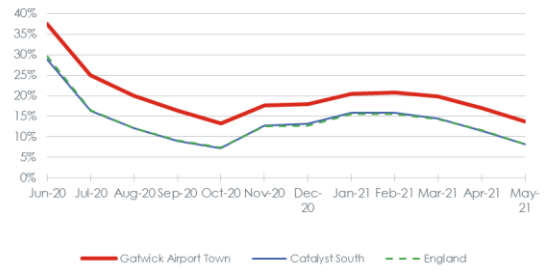
[23] Total employments on furlough and total eligible employments in individual LADs were added to obtain the 'Catalyst South', 'Airport Towns combined' and individual 'Airport Town' figures. May 2021 figures are provisional.

pandemic in 'Airport Towns' than elsewhere – and that proportionately more employments were furloughed as a result.

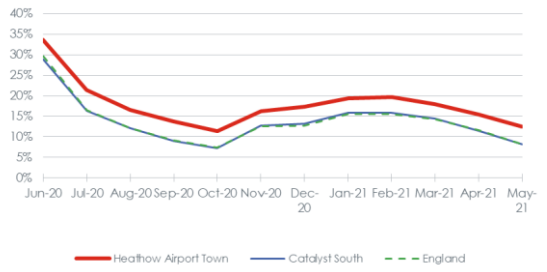
4.4 At the level of individual local economies, there are some differences, as shown in Figure 4-2 below. The local areas with the highest absolute and relative incidence of aviation-related employment – Gatwick and Heathrow – have consistently seen an incidence of furlough well above the regional and national averages; indeed, in June 2020, some 38% of eligible employments were furloughed in Gatwick 'Airport Town' (Crawley), about 8-9 percentage points higher than across Catalyst South and England. The high incidence of furlough in Crawley has continued and it has been recognised in recent national analyses[24].

Figure 4-2: Furlough take-up rate (employments on furlough as % of total eligible employments), for individual 'Airport Towns', June 2020 – May 2021

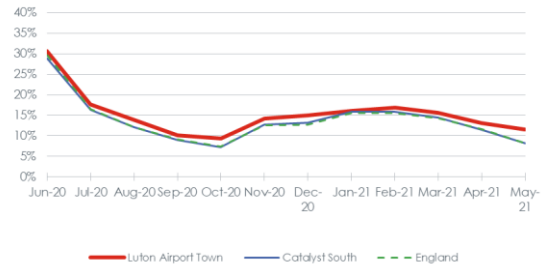
1: Gatwick 'Airport Town' (Crawley)



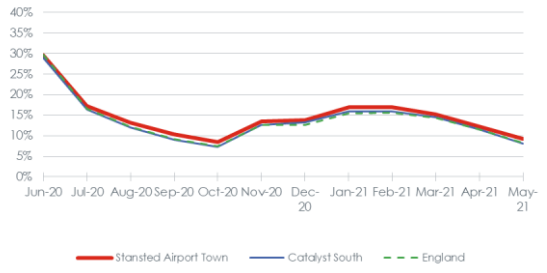
2: Heathrow 'Airport Town' (Hillingdon, Hounslow, Slough, Spelthorne)



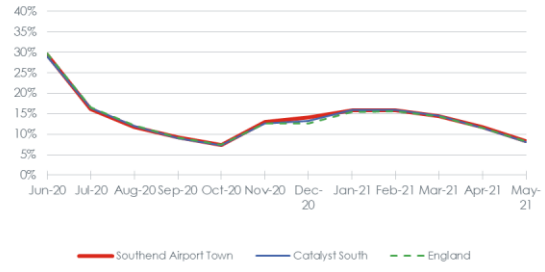
3: Luton 'Airport Town' (Luton)



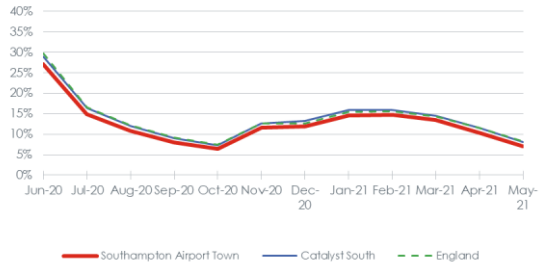
4: Stansted 'Airport Town' (Uttlesford, Harlow)



5: Southend 'Airport Town' (Southend, Rochford)



6: Southampton 'Airport Town' (Southampton, Eastleigh)



Source: HMRC, Annual Population Survey, 2021.

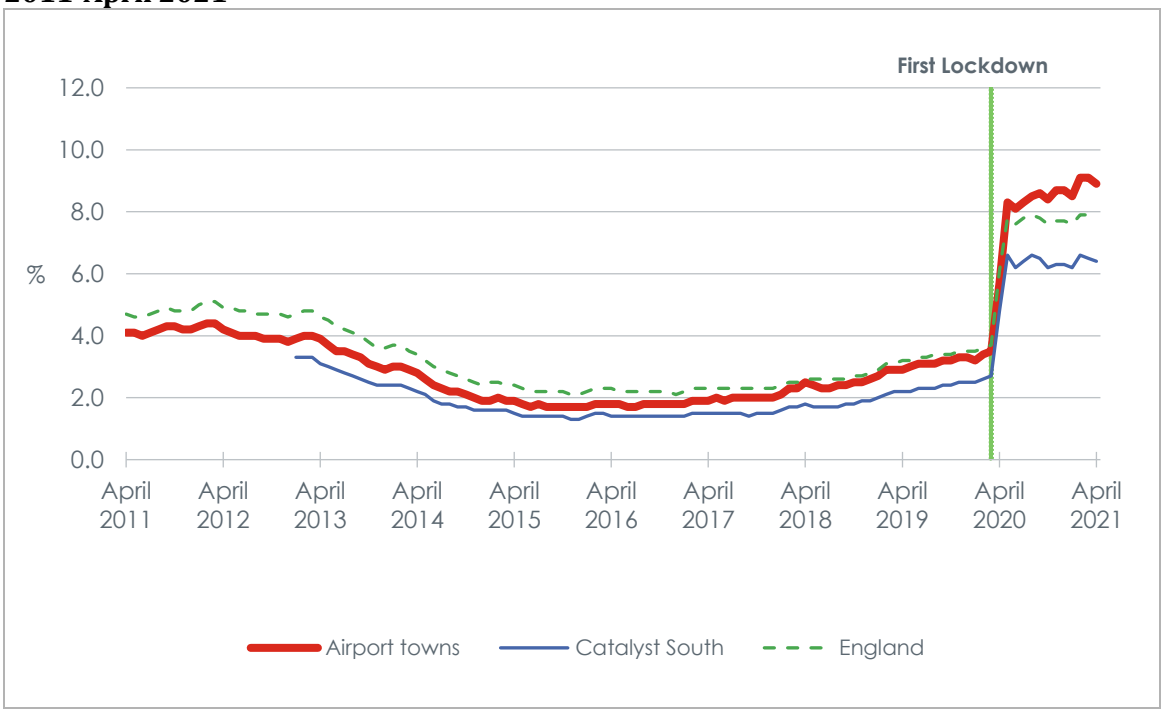
[24] See for example *The Beginning of the End* – Resolution Foundation, 4th July 2021

4.5 The latest furlough data – published on 29th July 2021 – suggest that nationally, at 30th June 2021, 6% of employments eligible for furlough were on furlough (provisional figure), down from 9% at 31st May 2021. The sector with the highest rates of jobs on furlough (as at 30th June 2021) was '*passenger air transport*' (58% of eligible employments); and the second highest was '*travel agency and tour operator activities*' (49%). Given this sectoral profile, it is likely that the local areas around airports are continuing to be heavily affected[25].

Claimant count

4.6 The claimant count measures the number of people claiming benefit, principally for the reason of being unemployed. Whereas furlough was an attempt to prevent unemployment, the claimant count is (essentially) the consequence of it. Across the whole country, the pandemic coincided with a sharp spike in the claimant count in April/May 2020 – and the claimant count has remained steady at this new, higher, level subsequently.

Figure 4-3: Claimants as a proportion of economically active residents aged 16+, April 2011-April 2021[26]



Source: ONS Claimant count, 2021.

Airport towns: Crawley, Slough, Hounslow, Hillingdon, Spelthorne, Luton, Southend, Rochford, Harlow, Uttlesford, Southampton, Eastleigh.

4.7 Across the 'Airport Towns', the spike was notably greater and claimant count (measured as a proportion of economically active residents aged 16+) increased by well over five percentage points in April/May 2020. On this measure, there is evidence that rather that stabilising, it has since continued to increase (albeit at a slower rate). By April 2021, it was about 9% across

[25] See Coronavirus Job Retention Scheme statistics: 29 July 2021 - GOV.UK (www.gov.uk)

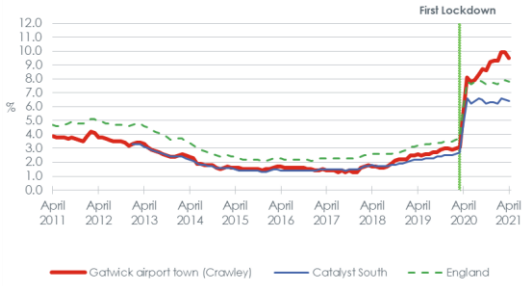
[26] These figures were taken directly from the ONS Nomis service using user-defined geographies for the 'Airport Towns' and 'Catalyst South' areas. Note that the denominator is economically active residents aged 16+ (rather than all residents aged 16-64 which is sometimes used).

the areas under consideration here, compared to 8% across England and around 6.5% within Catalyst South. **In short, across the 'Airport Towns' the claimant count (as a proportion of economically active residents aged 16+) was below the national average until the start of the pandemic; since April 2020, it has been well above it.**

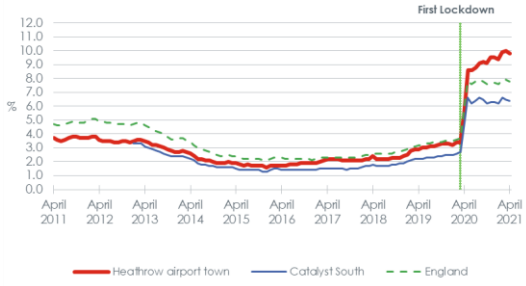
4.8 As with furlough, there have been notable differences at a local level. For both Gatwick and Heathrow, the picture has been severe and by April 2021, the claimant count was around 10%. However it was Luton that saw the biggest increase; its claimant count rose very quickly from about 4% to 10% of economically active residents aged 16+ at the start of the pandemic, and it has continued to rise subsequently (to over 11% by April 2021). The areas around the airports at Southend and Southampton have also seen a spike, but a less pronounced one.

Figure 4-4: Claimants as a proportion of economically active residents aged 16+, April 2011-April 2021, in individual 'Airport Towns', April 2011-April 2021

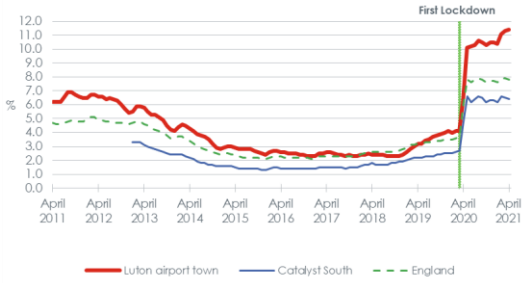
1: Gatwick 'Airport Town' (Crawley)



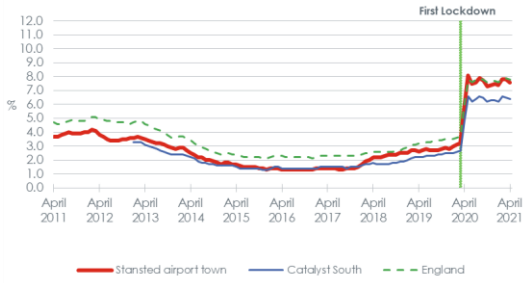
2: Heathrow 'Airport Town' (Hillingdon, Hounslow, Slough, Spelthorne)



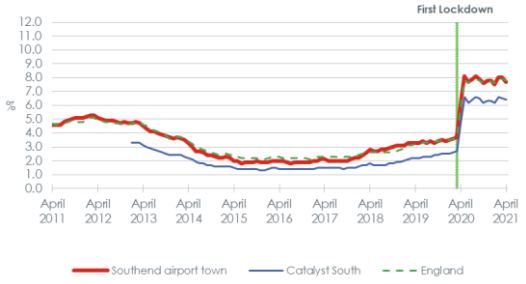
3: Luton 'Airport Town' (Luton)



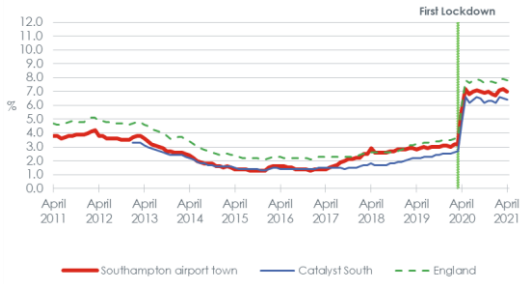
4: Stansted 'Airport Town' (Uttlesford, Harlow)



5: Southend 'Airport Town' (Southend, Rochford)



6: Southampton 'Airport Town' (Southampton, Eastleigh)

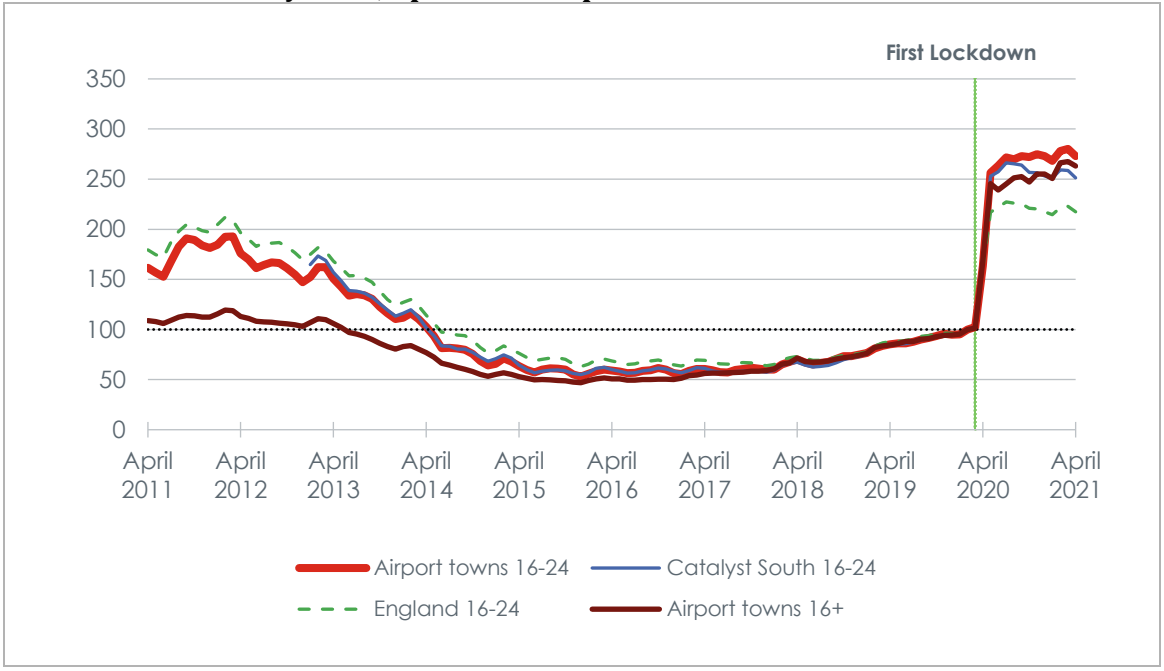


Source: ONS Claimant Count, 2021.

Claimant count – younger people

4.9 Within the claimant count data, we can examine the effects in relation to young people (aged 16-24). As the chart below shows, **at the start of the pandemic, the claimant count index for young people rose more quickly in the 'Airport Towns' than across England as a whole. The index also rose more quickly than for 'total claimants' within the 'Airport Towns'**. At a local level, the increases were particularly high in the areas close to Gatwick, Heathrow, Luton and Stansted.

Figure 4-5: Indices of 'youth' and 'total' claimant count, 'Airport Towns' combined, index: 100 = February 2020, April 2011 – April 2021

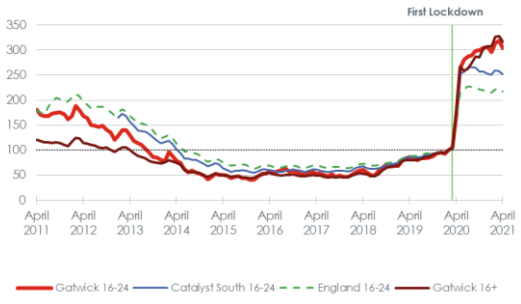


Source: ONS Claimant Count, 2021.

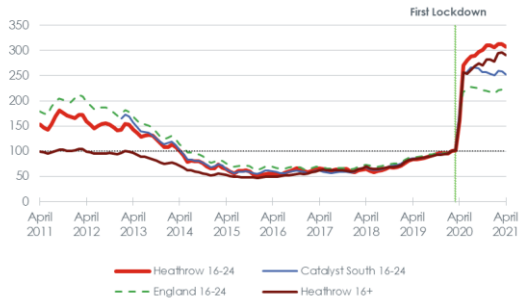
Airport towns: Crawley, Slough, Hounslow, Hillingdon, Spelthorne, Luton, Southend, Rochford, Harlow, Uttlesford, Southampton, Eastleigh.

Figure 4-6: Indices of 'youth' and 'total' claimant count by 'Airport Town', index: 100 = February 2020, April 2011 – April 2021

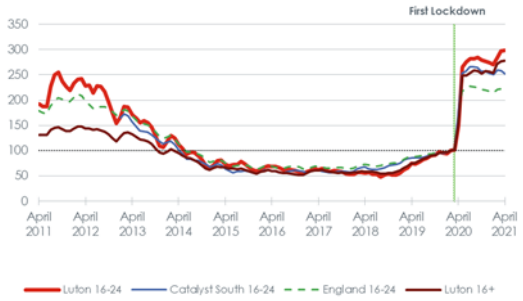
1: Gatwick 'Airprt Town' (Crawley)



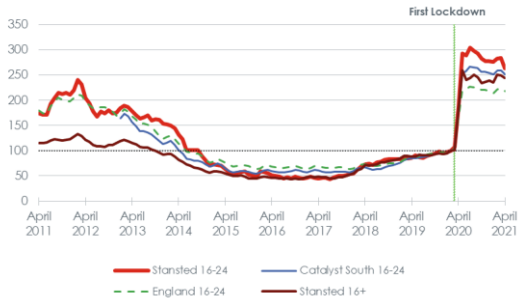
2: Heathrow 'Airport Town' (Hillingdon, Hounslow, Slough, Spelthorne)



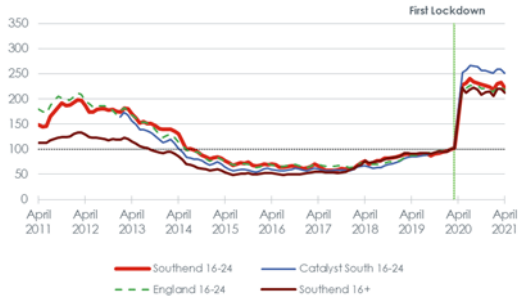
3: Luton 'Airport Town' (Luton)



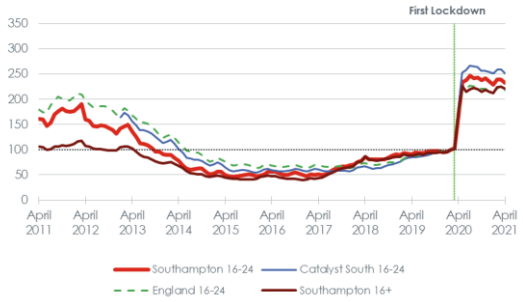
4: Stansted 'Airport Town' (Uttlesford, Harlow)



5: Southend 'Airpport Town' (Southend, Rochford)



6: Southampton 'Airport Town' (Southampton, Eastleigh)



Source: ONS Claimant Count, 2021.

Conclusion

4.10 The relationship between the uptake of furlough and the claimant count is a complicated one. In its design, CJRS was an attempt to avoid unemployment – although whether it has avoided, or simply postponed, significant redundancies is, as yet, unclear. Taken together, the two datasets suggest that:

- Luton has seen the biggest increase in the claimant count as a proportion of economically active residents aged 16+ since the start of the pandemic; on this measure, it is arguably therefore the 'Airport Town' that has experienced the greatest shock.
- The areas close to Heathrow and Gatwick have both seen a sizeable increase in the claimant count as a proportion of economically active residents aged 16+ alongside a very substantial use of the furlough scheme – suggesting that, although dampened in the short term, the scale of the economic shock could be relatively greater. It is notable that these two local economies are particularly dependent on the aviation sector in relation to local jobs.
- Relatively, the areas close to Southampton International Airport and London Southend Airport appear to have experienced a smaller economic shock.

5. Wider changes in the economies of 'Airport Towns'

5.1 Alongside the immediate job effects, it is important to understand wider changes within the economies of the 'Airport Towns' since the start of the pandemic. Data are again limited, but in this chapter, we consider two key elements –the labour market and the commercial land and property market.

Labour market indicators

5.2 Online job postings are increasingly recognised as a real time labour market indicator and they provide a perspective on vacancies and recruitment. They therefore say something about both business confidence and the number and range of opportunities that are available to those seeking employment. Based on Adzuna online job adverts data, the chart below provides an indexed assessment of conditions at a regional scale (across the Greater South East) and nationally. It shows that the volume of online job adverts fell at the start of the pandemic, but that it has risen steadily since May 2020. Across the Greater South East, the East of England was the first region to return to pre-pandemic levels and London was the last. The data suggest that both London and the South East recovered more slowly than was the case nationally.

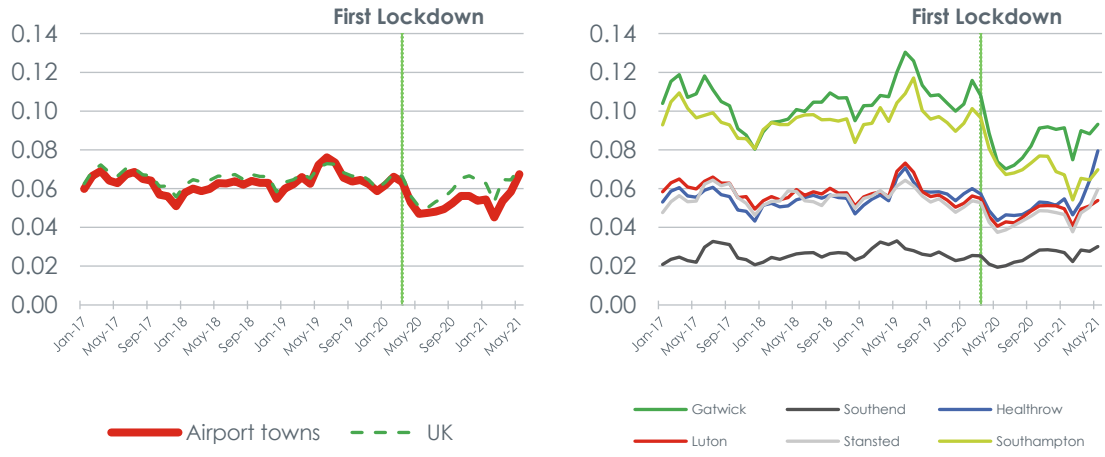
Figure 5-1: Volume of online job adverts by region, index: 100 = February 2020 average, 7 February 2019 to 18 June 2021

Source: Adzuna, 2021

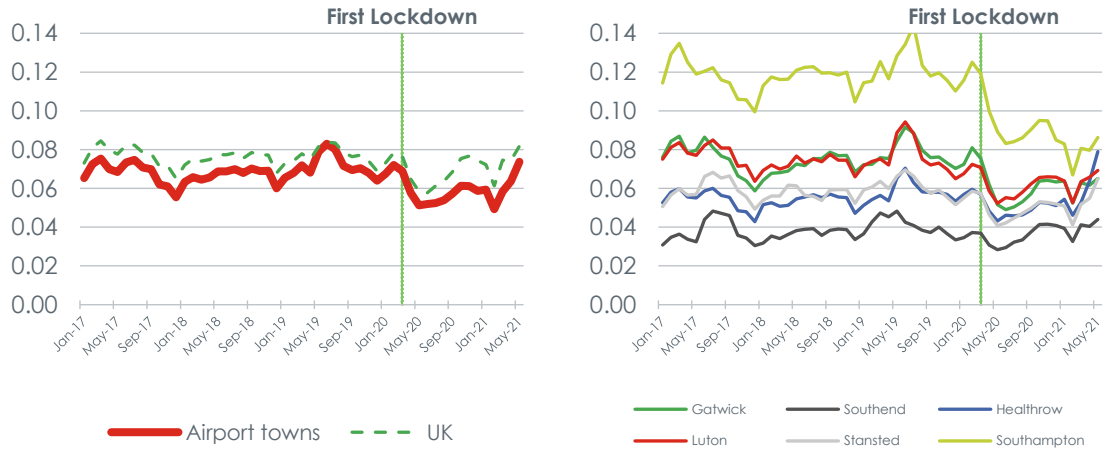
5.3 At a local level, data on job postings are available from EMSI. The charts below provide data for the 'Airport Towns' collectively and individually, scaled first by the resident working age population and second by the total number of jobs. On both measures, **the data suggest that the number of jobs postings has taken longer to recover in the 'Airport Towns' than has been the case nationally.**

Figure 5-2: Unique job postings scaled by working age population and total jobs, for 'Airport Towns' and the UK, Jan 2017 – May 2021[27]

1: Postings per working age (16-64) resident



2: Postings per job



Source: EMSI, ONS Population Estimates, ONS Jobs density, 2021.
Airport towns: Crawley, Slough, Hounslow, Hillingdon, Spelthorne, Luton, Southend, Rochford, Harlow, Uttlesford, Southampton, Eastleigh.

[27] Unique job postings in individual LADs were added to obtain the 'Airport Towns combined' and individual 'Airport Town' figures. For comparison purposes, these figures were further scaled using two measures (for robustness): the number of residents aged 16-64 and the total number of jobs for the defined geographies. Both are annual measures – where 2021 and 2020 data were not available, the most recent annual figures were used as proxies.

5.4 This assessment is broadly consistent with data produced by Centre for Cities and Indeed. On that analysis, in relation to the percentage change in job postings between 1st Feb 2020 and 9th April 2021, the local authority districts of Crawley, Southend, Slough and Luton were among the 10 worst affected in the UK[28].

5.5 Within this overall picture, there are however some differences between individual 'Airport Towns'. The EMSI data (Figure 5-2) suggest that:

- as of May 2021, the number of job postings was still well adrift of pre-pandemic levels in two of the 'Airport Towns': Gatwick and Southampton
- the fastest recovery has been seen in relation to Heathrow and (to a lesser extent) Stansted
- however – in absolute terms and looking across the different geographies, including the national average – the areas close to Gatwick, Southampton and (latterly) Heathrow have a relatively high number of job postings per working age resident.

Commercial property market indicators

5.6 In principle – as set out earlier in the model in Figure 3-1 – we might expect to see the effects of the economic shock working through commercial property markets. In practice, property markets respond in complicated ways which are critically dependent on the underlying (pre-pandemic) context.

5.7 The data in Figure 5-3 suggest that since the start of the pandemic, available lease space as a proportion of stock has increased in relation to *office uses* across the 'Airport Towns'; a similar picture is apparent across Catalyst South, but at a lower level. For *industrial uses*, there was a slight increase in the early months of the pandemic, but subsequently availability has actually declined and at a faster rate than for either Catalyst South or England. These data may not be wholly reliable but, they may point to important developments in local commercial property markets.

[28] *Where in the UK is job posting recovery strongest?* Centre for Cities, 22 April 2021.

Figure 5-3: Available lease space as % of total stock of lease space, 'Airport Towns' combined, 2017-2021[29]

Source: CoStar, 2021.

Airport towns: Crawley, Slough, Hounslow, Hillingdon, Spelthorne, Luton, Southend, Rochford, Harlow, Uttlesford, Southampton, Eastleigh.

5.8 They are corroborated by local evidence and insight. For example, Manor Royal is a very significant, 540 acre mixed use Business Improvement District to the north of Crawley and within the Gatwick 'Airport Town' as defined here. It is also the largest business district in the South East[30]. Since the start of the pandemic, it has seen major changes. One major airline has halved its employee footprint on Manor Royal (from about 3,000 people to around 1,400); moved its HQ; and vacated a training centre. The training centre was initially acquired for office uses but is now being converted to a distribution centre. More generally, redundant, formerly empty buildings on Manor Royal are being demolished and replaced by new

[29] Available lease space and total stock figures were taken directly from CoStar using user-defined geographies for the 'Airport Towns' and 'Catalyst South' areas.

[30] 'See Manor Royal - Top Ten Facts about Manor Royal

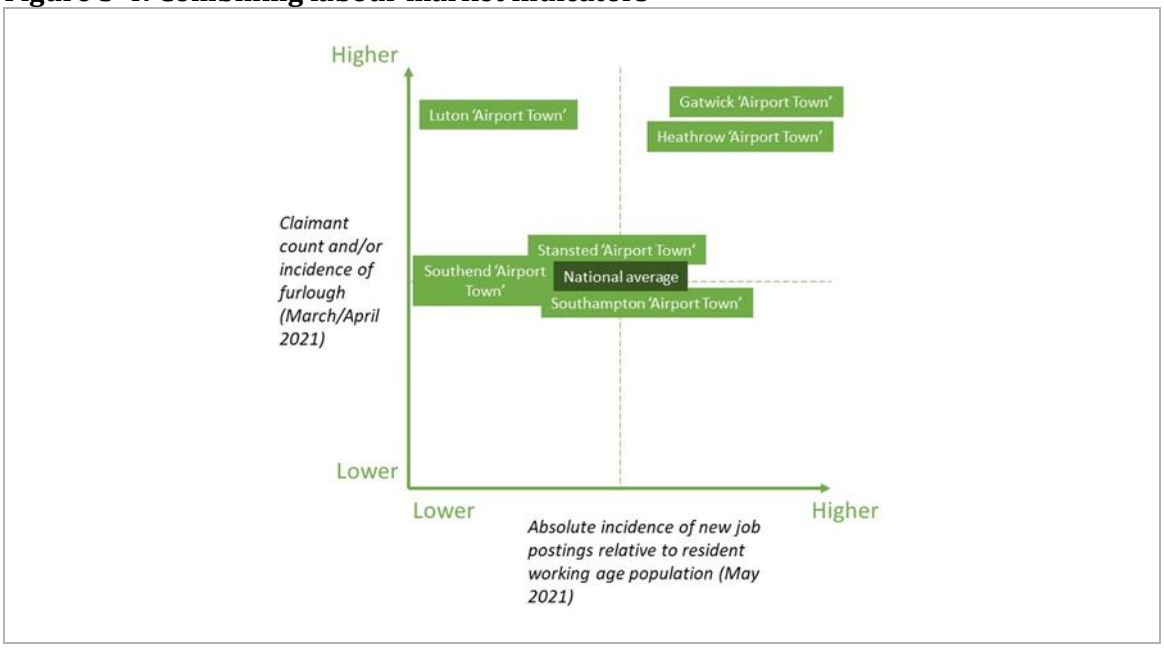
industrial and warehouse units; it is estimated that this will create something like one million sq ft of new commercial space. Locally it is noted that this is very different from the previous financial recession, where sites remained empty and dormant for a long time. Now there is a real interest in development at Manor Royal which has pushed land values up to £3m plus per acre. It also means that – despite the pandemic – rents are not softening, except possibly for office space[31].

Conclusions

5.9 Despite the scale of the economic shock within the 'Airport Towns', there are some signs of adjustment and – perhaps – some level of early recovery albeit on a varying basis.

5.10 In order to provide further insight, Figure 5-4 attempts to combine data on job effects (from Chapter 4) with the job postings data (presented above). **Overall, the six 'airport towns' are currently seeing an incidence of furlough and a claimant count that are both above the national average, *and* job postings have been slower to recover than is the case nationally**. Within this overall picture, there is a mixed set of local circumstances. The shock has been substantial in Gatwick and Heathrow 'Airport Towns' but there are *signs* of new jobs postings that are either relatively high or recovering. It is also within these 'Airport Towns' that the commercial property market appears to be adjusting – albeit with a weak office market and a relatively stronger industrial one. The picture in Luton 'Airport Town' is different and the level of bounce back appears more subdued. Across the other three 'airport towns', the situation is closer to national average. This all reflects quite distinctive local contexts.

Figure 5-4: Combining labour market indicators



Source: SQW

[31] Local intelligence provided to Coast to Capital LEP, July 2021

5.11 These conclusions are important – but they are also really quite nuanced and complicated. Although there is much variation, the 'Airport Towns' are in or close to London's city-region and there is, generally, underlying demand for both people and commercial space. The challenges of recruitment have been aired repeatedly in recent weeks[32]. This is a paradox given the scale of job losses. However it is not unrelated to the UK's departure from the EU which has coincided with the pandemic; we are therefore observing simultaneous labour shortages and job losses. It is also worth noting that similar adjustment bottlenecks are also visible in other countries as economies recover from the pandemic and mitigation measures are unwound (for example, in the United States). In relation to the commercial property market, the loss of employment land over recent years is well documented across Catalyst South, as is the huge underlying demand, particularly for logistics uses[33].

5.12 The inference is that there will be an economic recovery of some form and within it some level of structural adjustment; elements of it are already appearing in the data. Whether it 'works well' for the people and businesses of the 'airport towns' is however a different question. The risk is that the path to recovery results in a progressive shift to lower value activities. In a generally high cost region, this in itself could be very challenging.

[32] See for example Hospitality 'struggling to fill thousands of jobs' - BBC News – from 28th May 2021.
[33] See for example *Loss of Employment Space in Hertfordshire – Study into extent, implications and solutions* Lambert Smith Hampton, February 2019.

6. The outlook for aviation, airports and 'Airport Towns' – and elements of a response

The outlook in relation to aviation

6.1 In relation to aviation, there continues to be much speculation about the shape and pace of recovery. Analysis by the International Air Transport Association (IATA) has pointed to a very rapid bounce back in relation to **global air cargo volumes**. As of April 2021, IATA suggested that industry-wide cargo tonne-kilometres were 5% higher than the pre-crisis peak (August 2018). This reflects a strong economic rebound (so high demand) coupled with low inventory levels (and hence the need rapidly to refill stocks)[34]. The pace of recovery in relation to **air travel** has been slower, largely because of on-going restrictions. IATA reported that in April 2021, industry-wide revenue passenger-kilometres were 65.4% lower than pre-crisis levels; and for international travel only, the scale of the contraction continued to be even higher (87.3% lower than pre-crisis levels). Of late, bookings have been increasing[35] – suggesting a route to recovery – but in general terms, 2023 or 2024 appear to be the 'best guess' in terms of when global travel demand might return to 2019 levels. Within that context, there must be continuing uncertainty in terms of what 'after' will look like, particularly with regard to business travel; the cost/time savings associated with the shift to Zoom and other digital forms of communication have been significant.

6.2 Against this backdrop, there is much evidence that **structural changes are ahead**. In mid 2020, it was reported that 23 airlines (including Flybe and Virgin Australia) had collapsed while others (including Emirates and British Airways) announced major redundancy programmes[36]. The composition of the sector may therefore change.

6.3 In parallel, however, there are two more pervasive changes underway. Neither was caused by the pandemic, but both are likely to be accelerated by it:

- First, **the aviation sector is under substantial pressure to decarbonise**. This may involve a transition to sustainable aviation fuels (over the next three years) and moves towards electrical propulsion and hydrogen propulsion over the next 10-15 years[37]. Technological changes associated with decarbonisation will be a key feature of the aviation sector in the years ahead. In this context, UK government is consulting on plans to deliver net zero aviation by 2050[38]. These include "*act[ing] quickly to revolutionise the*

[34] Air Cargo Market Analysis, IATA, April 2021.
[35] Air Passenger Market Analysis, IATA, April 2021.
[36] "*The 23 airlines that have collapsed since Covid-19*". Article from The Telegraph, 21st July 2020.
[37] "*Hydrogen planes, electric propulsion and new regulations: Aviation is changing*" Article from CNBC, 15th June 2021.
[38] In July 2021, DfT published a consultation document on its strategy for net zero aviation. Whilst recognising the challenges of decarbonising aviation, the strategy seeks to deliver net zero aviation by 2050 ('Jet Zero'). See jet-zero-consultation-a-consultation-on-our-strategy-for-net-zero-aviation.pdf (publishing.service.gov.uk)

technologies needed across the aviation industry: develop cleaner aircraft, produce and use more sustainable fuels, and make our airspace and airports more efficient" [39].

- Second, **airport operations are likely to see a high degree of automation.** This is important for the 'Airport Towns' – and the people who depend on airports for their livelihoods – as more routine jobs in particular could start to disappear even when international air travel returns.

Responding to the economic shock – and future uncertainty

6.4 The future is, clearly, uncertain in relation to all six 'Airport Towns' within, or close to, the geography of Catalyst South. These 'futures' will be influenced by developments within the aviation sector – although a raft of other factors is also at play. It is important to recognise that across the six local areas:

- **the severity of the economic shock has varied substantially**: the 'Airport Towns' linked to London Heathrow, London Gatwick and London Luton have seen the most acute effects (in part because of the local importance of the aviation sector, and in part because of the character of the wider local economy)
- **different 'Airport Towns' have quite different underlying 'factor endowments'**: some have world class universities and research centres and a skills base to match, while others have a much narrower asset base.

6.5 This review for Catalyst South has been a small exercise and the evidence base is patchy. However in starting to think about potential responses, we can draw on a wider body of evidence linked to the consequences of previous economic shocks. The findings from a review of the evidence are summarised in Box 1 below.

Box 1: Economic Shocks Research[40]

In 2013, SQW completed a project for then-Department of Business, Innovation and Skills which considered evidence and lessons from previous economic shocks in the UK and internationally. Underpinned by the evidence, it developed a framework to inform decision-making on whether and how to intervene.

Across all types of economic shocks, the study identified four domains in which responses will be needed:

- **businesses**
- **supply chains**
- **workforce and skills**
- **place and communities**

[39] *Jet zero consultation: A consultation on our strategy for net zero aviation.* Published by Department for Transport, July 2021.
[40] *Economic Shocks Research.* A report to the Department of Business, Innovation and Skills from SQW (2013). Available at: *Economic Shocks Research: A report to the Department for Business, Innovation and Skills (publishing.service.gov.uk).*

The evidence suggested that good responses were characterised by:

- a **mix of interventions** across all four domains
- **good intelligence** – i.e. a prior knowledge of how the economy works, and on-going insight into how it is responding
- an understanding of **"significance" and "influence-ability"**
- **appropriate structures, processes and people** – i.e. governance and arrangements to enable a rapid response, plus local leadership.

In the light of the evidence, the report recommended a four-stage "framework" for responding to a shock. In essence:

- **gathering intelligence** to understand the nature and extent of the shock
- **reviewing functions and forms** – ensuring alignment
- developing **appropriate packages of support** across all four domains for the short-term and long-term
- **implementing those packages** (with monitoring and live evaluation and learning).

6.6 In the paragraphs that follow – and simply as a basis for discussion – we set out a series of possible responses. These are informed by the available evidence. They also take account of the comments and observations made at Catalyst South's conference on 'the future of airport towns' which was held in July 2021[41].

Challenges, opportunities and responses for the Airlines and Airports

6.7 The challenges surrounding air travel during a global pandemic have been at the root of the distinctive economic shock that has confronted 'Airport Towns'. Although not the primary focus of this report, three comments follow in relation to **short term planning horizons and the future of air travel.** All three were discussed at the Catalyst South conference referenced above.

- First, substantial numbers of airport and aviation employees are still on furlough. The scheme is set to end within a matter of weeks and with continuing uncertainty around air travel, significant numbers of redundancies seem probable. **Given the particular challenges facing aviation, there is a case for extending the CJRS into the autumn and winter**
- Second, **the aviation industry needs greater certainty with regard to international air travel**. It needs to be able to plan and to invest (in infrastructure, workforce development, innovation, etc.). However this has been very difficult in the context of frequently changing restrictions. **Any steps that can be taken to increase certainty**

[41] See https://www.youtube.com/watch?v=-AfC60xXaR0

will help the airports and airlines and – in turn – will create more stability across the economies of the 'Airport Towns'.

- Third, whilst the aviation sector (including the supply chain) has been a major beneficiary of the loans schemes put in place during the pandemic, these loans need to be repaid – and the ongoing uncertainties are very problematic in that context. Again, **the specific set of circumstances that confronts the aviation sector (and supply chain) could provide the rationale for an extended repayment period**.

6.8 In the **medium-long term, the aviation industry needs to respond to the challenges and opportunities of Jet Zero**, and there can and should be a partnership response with and through the Airport Towns. We consider this opportunity in the remainder of this chapter.

Challenges, opportunities and responses for the 'Airport Towns'

6.9 **Across the 'Airport Towns', a positive response is needed to the economic shock that has occurred over the last 18 months – recognising that this response needs to be a long term commitment**. In broad terms, this response could be structured around two Pillars:

- **<u>Pillar One</u>: Support the rebuilding and restructuring of the aviation sector and its supply chain locally, consistent with the imperatives linked to Jet Zero**
- **<u>Pillar Two</u>: Help 'Airport Towns' diversify their economies and build resilience –** 'inventing a future' that is perhaps less dependent on aviation – **and support local people through this restructuring process.**

6.10 Both Pillars are important. Although they could be read as conflicting, there is, in practice synergy between them. **'Airport Towns' may or may not succeed in 'shoring up' the aviation sector locally, not least because many key decisions will be taken elsewhere. However the steps that could be taken to help are likely also to equip local areas to 'pivot' their industrial and employment mix which in turn will be a key capability in terms of overall resilience**.

Pillar One: Local initiatives to support the aviation sector and its supply chain, consistent with Jet Zero

6.11 Part of the response could involve a proactive approach to innovation – recognising that this is increasingly place-based[42]. The Science and Innovation Audit (SIA), '*Innovation for sustainable airports'*, focused specifically on Heathrow Airport[43], and it provides useful insights. Paraphrasing slightly, it identified four main priorities:

[42] See *UK Innovation Strategy: Leading the future by creating it.* Published by BEIS, July 2021
[43] *Innovation for sustainable airports – Science and Innovation Audit.* Report led by Brunel University on behalf of a wider consortium, and sponsored by BEIS, summer 2018.

- the need for a **stronger connection between the research base and industry** supporting innovation in sustainable airports
- the importance of **ensuring that there is sufficient commercial space** for businesses to grow
- the opportunity/need to **establish incubators and/or accelerators** with a focus on sustainable aviation
- the overarching importance of **addressing higher-level skills shortages** to accelerate innovation in cyber security (which was identified as critical for the future of aviation).

6.12 **Although the SIA obviously pre-dates both the pandemic and the commitment to Jet Zero, the evidence reviewed in this report suggests that all four of its priorities are highly relevant for the 'Airport Towns'**. All four could be advanced at a local level and all four are relevant whether the ultimate prize is a resuscitated aviation sector or a more diversified high value local economy – or some new combination of the two.

6.13 Taking the four SIA priorities in turn:

- Connections between **the research base and industry** vary substantially across the six 'Airport Towns' – not least because some (e.g. Southampton 'Airport Town') have stronger assets than others (e.g. Gatwick 'Airport Town' and Stansted 'Airport Town'). But whether the focus is university- or business-led research, the importance of accelerating knowledge-based economic growth has never been greater. The aviation sector itself is facing long term challenges which need these connections. There will be a need to understand the barriers to innovation and adoption, in the context of changing UK Government regulation and the impact of regulatory pressures in other jurisdictions. Beyond that, three priorities appear uppermost, consistent with Jet Zero:
  - clean aircraft technology (electric, hydrogen, engines)
  - sustainable aviation fuels
  - airspace modernisation around decarbonisation.

  Where world class universities with capabilities relevant to this agenda are not a feature of 'Airport Town' economies (and even where they are), links will need to be made with institutions from further afield; and many of the other priorities set out in the SIA could help bring these links about.
- The economic shock means that pressures on **commercial space** have eased slightly in the short term. However the fundamental issues have not disappeared and there is evidence to suggest important changes are afoot. At Manor Royal (Gatwick 'Airport Town'), office space vacated by aviation businesses is being diverted to logistics – and there is some concern that lower value uses may be displacing higher value ones. This process is likely to be in evidence elsewhere. In parallel, commercial property may also be under pressure for conversion to residential uses. From both perspectives, 'Airport

Towns' must take steps to use commercial land and property assets wisely and in a manner that is aligned with wider ambitions for economic regeneration and growth.

- The possibilities surrounding **incubators/accelerators** have also been given increased impetus as a result of the economic shock. Well-qualified and experienced people are being made redundant from across the aviation supply chain, and amongst them could be the very entrepreneurs that 'Airport Towns' need to drive economic recovery. In all probability, these will gravitate to activities that they know – which are likely to be allied to aviation.

- The fourth priority from the SIA is, arguably, the most important. It relates to the need to address **higher level skills shortages**. Within the SIA, cyber security was the immediate focus – and this continues to be critically important. In addition, higher level skills linked to the different facets of decarbonisation will be imperative. The new 'green revolution' will shape aviation in the mid-21st Century, but it will also affect every sector of the economy. The same is true of digitisation. Enhancing workforce skills in these priority areas will be critical in terms of 'Airport Towns'' medium-long term economic futures whatever the relative importance of aviation.

Pillar Two: Local initiatives to support place and communities

6.14 The four SIA priorities were effectively defined from the airports/aviation sector 'looking outwards'. Reflecting on the experience set out in Box 1, we also need to reflect on the challenges/opportunities from the local area perspective: many local residents were working in low pay and low skill jobs, and these individuals – and their households – are the ones that are likely to have borne the brunt of the pandemic's impact.

Equipping local people for new jobs

6.15 In this context, it will be essential that people who were previously working in low pay and low skill jobs are **reskilled and upskilled** – so that they have the option of securing alternative employment. In practice, many low pay airport jobs were being lost through automation well before Covid-19 started to be a factor, and this process is likely to accelerate.

6.16 There are already initiatives underway in this context. For example, a thousand jobseekers previously employed in the aviation industry at Heathrow Airport are being supported to transfer their skills into world-class screen industries based at Pinewood Studios[44]. There is a need to build on ventures of this type.

6.17 More generally – and recognising the particular challenges facing young people – there may be a case for **a more flexible approach to the use of the apprenticeship levy.**

[44] See Lights, Camera, Action - jobseekers supported into film industry | Buckinghamshire Local Enterprise Partnership (buckstvlep.co.uk)

Equipping 'Airport Towns' for more inclusive growth

6.18 In the main, local economies in the south have not struggled to create jobs – but **there has been an ongoing challenge in relation to three inter-related processes: growing businesses to medium size; generating medium- and higher-quality jobs in the process; and equipping local people with the right skills to fill those jobs and to progress**.

6.19 This was a set of issues that occupied the Productivity Commission that was set up in Berkshire (home to a significant part of Heathrow 'Airport Town') in 2018[45]. The Resolution Foundation has also investigated it in detail[46]. In Berkshire, **the price and availability of commercial sites and premises**, and **workforce skills associated with progression**, were found to be critical. Similar issues are likely to exist across all of the 'Airport Towns': **making provision for small businesses to grow to medium scale, and for local people to progress through those businesses, will be very important in post-Covid recovery**.

Developing a resilience and support package

6.20 Given the shared challenges and opportunities that confront all six 'Airport Towns', there may be a case for **developing a resilience and support package for each local area**. This could initially be focused on skills, employment and training (and it could examine existing programmes and identify opportunities for changes in funding and policy to allow for more effective local interventions). Some of that might be worked up collectively (under the auspices of Catalyst South and bringing to bear the relevant Skills Advisory Panels in each LEP area) and then locally tailored.

[45] See The LEP Network | Local Industrial Strategies.
[46] *A rising tide lifts all boats? Advanced industries and their impact on living standards.* Neil Lee and Stephen Clarke, July 2017, for the Resolution Foundation.

Annex A: Literature review – Key findings from recent reports on the Airports' economic impacts

Table A-1: Key findings from recent work on the Airports and surrounding economies

Report	Topic	Key findings
Economic impact of Gatwick Airport by Oxera – published April 2021	Evaluation of Gatwick Airport's local footprint, labour supply and productivity impacts (for the Gatwick 'Diamond' and the Five Authorities area – Surrey, East Sussex, West Sussex, Brighton, Kent)	In 2019, Gatwick Airport's total (direct, indirect and catalytic) economic footprint amounted to 136,900 jobs and £8.4bn in GVA for the entire UK. In the first pandemic year, Gatwick Airport represented a total of 36,700 jobs and £2.1bn in GVA in the UK through direct, indirect and catalytic impacts. It is projected that by 2028, the airport's footprint will increase to 139,700 jobs and £9.3bn in GVA as traffic recovers and expands beyond pre-pandemic levels. Estimates of Gatwick Airport's net economic impact suggest it added 28,100 'net' jobs with an annual GVA of £1.6bn in 2020 in the Five Authorities area, rising to 102,700 jobs and £6.9bn of GVA in 2028.
The economic impact of reduced activity at Heathrow by Oxford Economics – published September 2020	Estimation of the scale of impacts of reduced activity at Heathrow due to Covid-19 for six districts (Ealing, Hillingdon, Hounslow, Slough, South Bucks, and Spelthorne)	Prior to the pandemic, Heathrow directly supported 88,900 on- and off-airport jobs, and 133,600 jobs through supply chain and consumer spending effects across the study area. It was responsible for a £12.5 billion GVA contribution to GDP (in 2016 prices), equivalent to 23% of economic output across the study area in 2019. In the central scenario, in 2021, reduced activity at Heathrow will lead to 37,000 fewer jobs than in 2019, or a loss of £4.0 billion GVA contribution to GDP across the study area. Activity at the airport is forecast to return to pre-crisis levels by 2023. In the upside scenario, in 2021, employment will fall by 32,900 jobs, equivalent to £3.6 billion less GVA contribution to GDP, but will recover to 2019 levels by 2023. In the downside scenario, in 2021, employment will fall to 62,900 fewer jobs than in 2019, amounting to a £6.9 billion fall in the GVA

Report	Topic	Key findings
		contribution to GDP. By 2025, Heathrow will continue to support 22,100 fewer jobs than in 2019.
The Economic Impact of Luton Airport, by Oxford Economics – published June 2019	Estimation of Luton Airport's direct and multiplier impacts in 2017 for the UK as a whole, the surrounding Three Counties sub-region (Beds, Bucks and Herts), the wider Six Counties sub-region (also includes Cambs, Essex, and Oxon), the London Thameslink Corridor, and individual local authority areas	In 2017, Luton Airport contributed £1.8 billion to UK GDP. Almost half of it was contributed by firms with a direct link to the airport, the rest came through supply chain and consumer spending effects. The airport's 'GDP multiplier' was estimated at 2.1 across the UK as a whole. In 2017, the airport is estimated to have sustained a total of 27,500 jobs across the UK, including 9,900 direct on- and off-airport jobs, 8,600 jobs within the supply chain, and 9,000 'induced' jobs through consumer spending effects. Within the Three Counties area, Luton Airport supported a £1.1 billion GDP contribution and sustained a total of 15,600 jobs in 2017. For the wider Six Counties area, the airport supported a £1.3 billion GDP contribution and supported 19,000 jobs. The greatest economic impacts were felt in the immediate vicinity of the airport, with the largest sub-regional impact in Bedfordshire (which included Luton UA for the purposes of the study) – £964 million GDP contribution through direct, indirect and induced effects. It was found 58% of those employed at the airport lived in the county. Within the Luton Unitary Authority area itself, the airport supported an £878 million GDP contribution and 10,700 jobs (9,900 jobs at the airport, and a further 800 indirect or induced jobs) in 2017. The report estimated future economic impacts under the assumption of a second terminal opening in 2026/27. Following the expansion of capacity, the airport's total contribution to UK GDP would reach £3.8 billion in 2039, and its total employment contribution would increase to 43,600 in 2039.
Stansted Airport Environmental Statement – Volume 1 (Chapter 11 Socio-Economic Impacts), by	Estimation of Stansted Airport's socio-economic impacts prepared alongside the	In 2015, Stansted Airport's on-airport employment amounted to 11,000 jobs. Between 2003 and 2015, the number of jobs had increased by 3.5% while the number of passengers had grown by 20.3%. Of these jobs,

Report	Topic	Key findings
MAG London Stansted Airport – published February 2018	planning application for the expansion of Stansted Airport	just over a quarter were in 'passenger services, sales and clerical' activities, some 16.5% were 'air cabin crew', and 12.8% were 'catering, cleaning and housekeeping'. In 2015, direct off-airport employment had been limited by planning policy and was estimated to be 330. Indirect and induced employment was estimated to sum to a further 9,000 jobs. Therefore total employment was estimated to be around 20,300 jobs. This was equated to a GVA contribution of £1.2bn. The average salary in 2015 was £24,200, some 8% higher than average workplace earnings in the operational study area. Under a 'without development (do nothing)' scenario, Stansted-related employment was expected to grow to 24,300 jobs by 2028. 'With development', the figure rose to 29,700 jobs.
The Economic Impact of Southampton Airport, by Steer Davies Gleave – published October 2017	Estimation of Southampton Airport's direct, indirect, induced and catalytic impacts, and 2037 projections in relation to the Southampton Airport Masterplan (including an extended runway)	The economic contribution of Southampton Airport in 2015 is estimated to have been £161m (2015 prices), including over £64m in direct impacts, £64m in supply chain impacts, and £32m through consumer spending effects. In 2015, the airport sustained a total of 2,950 jobs, of which almost 950 were at the airport site, 1,300 were within the supply chain, and over 650 were supported through consumer spending effects. Under the 'business as usual' (no Masterplan) scenario, passenger numbers were projected to grow at a trend rate from 2 million in 2016 to 3.3 million in 2037. This equates to the core economic impacts (direct, indirect and induced) growing by 71% to £275m, with jobs supported rising by 300 to 3,250. Under the 'vision' (Masterplan) scenario, passenger traffic was projected to grow from 2 million in 2016 to over 5 million passengers in 2037. The core economic impacts would grow by almost 150% to £400m, with jobs supported rising by 1,750 to 4,700.
Environmental Statement Addendum 2 to Southampton	Southampton Airport's operation scenarios in the	The addendum revised future baseline (no runway extension) and development case forecasts to reflect reduced operations post-

Report	Topic	Key findings
Airport's Planning Application ref. F/19/86707, by Savills – published January 2021	context of the collapse of Flybe in March 2020, submitted as part of the planning application for a runway extension	Flybe's collapse. They reflect the conservative scenario so as to present the worst realistic case assessment of the impacts. The effects of the Covid-19 pandemic were not accounted for. Under the revised baseline scenario, passenger numbers were projected to stand at 1.01 million in 2027 and 1.03 million in 2037. The airport was projected to provide 475 direct jobs, and 450 indirect and induced jobs in 2027. This would rise to 483 direct jobs, and 458 indirect and induced jobs in 2037. Under the development scenario, passenger traffic was forecast to reach 2.31 million passengers in 2027 and 3.35 million in 2037. The airport was projected to support 1,083 direct jobs, and 1,028 indirect and induced jobs in 2027. This would increase to 1,410 direct jobs, and 1,338 indirect and induced jobs in 2037.

Annex B: Profiles of local economies close to airports

Gatwick 'Airport Town': Crawley

Effects of the Covid-19 pandemic

B.1 Since the beginning of the pandemic, Crawley has seen some of the largest increases in the claimant count rate (claimants as a percentage of residents aged 16-64) in the UK.[47] The claimant count rate peaked at 8.8% during the third lockdown in February and March 2021, with most 'covid' months exceeding the March 2020 figure of 2.8% by at least 4 percentage points. As of May 2021, Crawley was no longer in the top 10 towns with the highest claimant count rate, but at 7.8% the rate remained almost three times higher than its pre-pandemic level.[48]

B.2 Despite overall job postings in the UK now surpassing their pre-pandemic level, Crawley remains strongly reliant on the Coronavirus Job Retention Scheme. As of April 2021, Crawley had the highest furlough take-up rate (17%) among the largest 63 cities and towns in the UK. At the same time, as of early June 2021, it had the second lowest number of job postings relative to February 2020 (-28.7%).[49]

B.3 The collapse of the aviation industry resulted in widespread GVA and job losses in Crawley's economy: employment at Gatwick Airport fell from 24,100 in 2019 to 7,700 and 19,400 in 2020, excluding and including furlough respectively. Compared to the 2019 benchmark, the airport's estimated economic footprint was reduced by up to 70%. Passenger numbers fell by up to 90% in 2020, and are estimated to reach 2019/2020 levels of traffic in 2024.[50]

B.4 As one of Crawley's main exporting industries, the aviation sector used to drive local economic growth. According to the Centre for Cities, the damage to the town's exporting base is now likely to cause a prolonged period of economic underperformance and a longer-lasting impact on the job market.

Economic landscape

Productivity

B.5 Before the start of the pandemic, Crawley was the 19th most productive urban area in the UK, with GDP per worker at £66,060 in 2018.[51]

[47] Centre for Cities, 2021, https://www.centreforcities.org/blog/a-year-of-crawley/.
[48] ONS Claimant Count, 2021.
[49] Centre for Cities, 2021, https://www.centreforcities.org/blog/june-2021-labour-market-update/.
[50] Oxera, 2021, *Economic impact of Gatwick Airport*.
[51] Centre for Cities, 2021, https://www.centreforcities.org/blog/a-year-of-crawley/.

Economic activity and employment

B.6 At the start of 2020, Crawley was among the places with the lowest share of people claiming benefits for the primary reason of being unemployed.[52] Throughout 2019 and the first three months of 2020, Crawley's claimant count rate was below the England average.[53]

B.7 Over the last decade, Crawley's economic activity rate was consistently higher than the national average. In 2019, 82.8% of Crawley's working age population was economically active, compared to 79.2% in England. Among those, 3.7% were unemployed, relative to 4% in England. Historically, unemployment in Crawley remained at levels below the national average.[54]

Businesses and sectoral composition

B.8 As an important economic hub in the South East, in 2019 Crawley was home to over 3,500 businesses generating 103,000 jobs – 1.43 jobs for every working age resident in Crawley.[55] There are, however, questions of how well local residents were able to take advantage of those business opportunities.[56]

B.9 Prior to the Covid-19 pandemic, Crawley's strong private sector was the driver of the local economy, with the highest ratio of private to public sector employment (7.04 in 2019) among the 63 largest cities and towns.[57]

B.10 In 2019, over 1 in 5 (21.6%) jobs in Crawley were in the aviation industry and supporting activities for transportation – it was the largest aviation sector relative to total (workplace-based) employment among all UK local authority districts, and the third largest in absolute terms.[58] Gatwick Airport's supply chain was also one of the main job creators.[59]

Skills

B.11 In recent years, Crawley was among the places with the lowest share of working age resident population with no formal qualifications. In 2019, at 3% it had the lowest share of people with no formal qualifications among the 63 largest cities and towns. At the same time, Crawley ranked 23rd out of 63 in the share of working age population with a NVQ4+ qualification (38.8% in 2019).[60]

B.12 Throughout the last decade, Crawley had below-average resident employment in managerial occupations. In 2019, 6.5% of Crawley's residence-based employment was in managerial occupations compared to 11.7% in England and 13.2% in Catalyst South. The share of employment in professional occupations (18.9%) and low-skilled occupations (16%, process,

[52] Ibid.
[53] ONS Claimant count, 2021.
[54] Annual Population Survey, 2021.
[55] ONS Business Counts, ONS Jobs Density, Annual Population Survey, 2021.
[56] Crawley Borough Council, 2018, *Local skills gaps and needs in Crawley*.
[57] Centre for Cities, 2021, https://www.centreforcities.org/city/crawley/.
[58] Business Register and Employment Survey, 2021.
[59] Crawley Borough Council, 2018, *Local skills gaps and needs in Crawley*.
[60] Annual Population Survey, 2021.

plant and machine operatives, elementary occupations) was close to the England average (21.5% and 16.4% respectively).[61]

B.13 On average, local residents achieved lower qualifications than those commuting into Crawley.[62]

Residence- and workplace-based earnings

B.14 While in 2019 Crawley had one of the highest average workplace-based earnings among the 63 largest cities and towns (gross weekly pay of £617), local residents, on average, carried out lower-paid jobs. In the last decade, residence-based gross weekly earnings were consistently below workplace-based earnings (average gross weekly pay of £549.3 vs £617.1 in 2019), and in the last few years, they were also below the England average (£580.9 in 2019).[63]

Population

B.15 Crawley has a slightly younger population than Catalyst South and England as a whole (in 2011, 40.4% of population below the age of 29 compared to 36.2% and 37.7% respectively). In 2011, almost 80% of its residents had a white ethnic background, compared to 85.4% in England.[64]

[61] Ibid.
[62] Census, 2011.
[63] Annual Survey of Hours and Earnings, 2021.
[64] Census, 2011.

Heathrow 'Airport Town': Slough, Hounslow, Hillingdon and Spelthorne

B.16 The Heathrow 'Airport Town' incorporates a wider geography than other towns analysed, and includes Slough, Hounslow, Hillingdon and Spelthorne.

Effects of the Covid-19 pandemic

B.17 The Heathrow 'Airport Town' has experienced a significant increase in its claimant count rate (claimants as a percentage of the economically active aged 16+), with the rate increasing from 3.4% in March 2020 to a peak of 10% in March 2021[65]. Of the local authority areas making up Heathrow's 'Airport Town', Hounslow has been the most impacted, with a claimant count rate of 11.8% in April 2021 - the highest district-level figure that month within the 'Airport Towns' analysed for this research.

B.18 The impact of the pandemic has led to a reliance on the Coronavirus Job Retention Scheme to support employment. As of April 2021, the Heathrow 'Airport Town' had one of the highest furlough take-up rates nationally, at 15% of all eligible employment[66]. This has reduced considerably from its peak (in June 2020), where 34% of eligible employees in the area were furloughed.

B.19 The impact of Covid-19 on Heathrow Airport has been substantial, with the number of passengers travelling through the airport falling from 80.9m in 2019 to 22.1m in 2020[67], and with overall revenues for the airport falling from £3.07bn in 2019 to £1.18bn in 2020[68]. This has led to pay cuts and a contraction in employment at the airport, with between 15,000 and 25,000 jobs lost at the airport[69].

B.20 Evidence from the West London Alliance[70] finds that Hillingdon and Hounslow are expected to have some of the largest decreases in the number of jobs, declining by 4.3% and 4.2% respectively (compared to a 2.8% decline across London and 3.2% nationally).

B.21 Heathrow's relatively large freight operations (Heathrow handles around 60% of all air freight in the UK[71]) has helped to dampen the full impact of the pandemic (cargo volumes fell by 28% at Heathrow during 2020), with some airlines able to shift to freight operations. However, given Heathrow's role as a global hub airport, the reduction in global travel has led to a substantial impact on the local economy, which is likely to cause an underperformance in the area's economy and supply chains for some time to come.

[65] ONS Claimant count, 2021.
[66] ONS Coronavirus Job Retention Scheme Statistics, 2021.
[67] Civil Aviation Authority, 2021.
[68] Heathrow Airport Financial Reports, 2020.
[69] https://www.reuters.com/article/uk-health-coronavirus-britain-heathrow-a-idUSKBN2AB0OJ
[70] West London Alliance, 2020, *Build and Recover: An Economic Recovery Strategy for West London*.
[71] Civil Aviation Authority, 2021.

Pre-pandemic economic landscape

Businesses and sectoral composition

B.22 Heathrow is a strategically important economic and transportation hub, providing global connections and services. Across the Heathrow 'Airport Town' there are over 44,000 businesses[72], employing 479,000 people[73]. The two London boroughs account for the largest proportion of employment locally, with 191,000 jobs in Hillingdon and 165,000 jobs in Hounslow[74].

B.23 Evidence on the economic role of Heathrow shows that in 2019 it supported around 88,900 direct jobs both on and off-site, and was responsible for a £12.5 billion GVA contribution to GDP (in 2016 prices)[75].

B.24 When analysing the wider transportation and storage sector (which includes a range of logistics and aviation related activity), Hounslow, Hillingdon and Slough all have concentrations of activity significantly above the national average, with the sector representing 27%, 20% and 12% of employment in each local authority respectively (compared to a national average of 7%)[76]. This ranks these local authorities 1st, 4th, and 11th nationally relative to all 354 local authorities in terms of their concentration of transportation and storage employment.

B.25 In 2019, 14% of jobs within the Heathrow 'Airport Town' were in the aviation industry and supporting activities for transportation. A high proportion of this activity is based in Hounslow and Hillingdon (incorporating the Heathrow Airport site), accounting for 20% and 15% of these boroughs' employment respectively. Hounslow and Hillingdon have the first and second largest aviation sector relative to all other UK local authority districts based on total (workplace-based) employment.[77]

Skills

B.26 The Heathrow 'Airport Town' has a well-qualified workforce, with more than half of the working-age population (51%) holding a degree-level qualification or higher (compared to 43% nationally). The highest skill levels in the 'Airport Town' are in Hillingdon (54% qualified to degree-level) and Spelthorne (52%)[78].

B.27 Reflecting the strong qualification profile available within the local population, more than half of the workforce (52%) within the Heathrow 'Airport Town' are employed in higher-value occupations (including managerial, professional and technical occupations), a higher proportion than nationally (50%)[79].

[72] UK Business Count, 2021.
[73] Business Register and Employment Survey, 2021.
[74] Business Register and Employment Survey, 2021.
[75] Oxford Economics, 2020, *The economic impact of reduced activity at Heathrow Airport.*
[76] Business Register and Employment Survey, 2021.
[77] Business Register and Employment Survey, 2021.
[78] Annual Population Survey, 2021.
[79] Annual Population Survey, 2021.

Economic activity

B.28 The Heathrow 'Airport Town' slightly underperformed on its levels of economic activity prior to the pandemic, with 78% of the working-age population being economically active (compared to 79% nationally) in the year leading up to March 2020[80]. There are some differences across the area, with 87% of the working-age population economically active in Spelthorne compared to only 76% in Slough.

Residence- and workplace-based earnings

B.29 Workplace earnings within the Heathrow 'Airport Town' are considerably higher than those earned by local residents. Across three of the local authority areas, workplace incomes were higher than residents, with the largest difference in Hillingdon (£3,150 per annum) and Hounslow (£2,720 per annum)[81]. Only in Spelthorne are incomes for residents currently higher than for those working in the area (by £2,300 per annum).

Population

B.30 As defined here, Heathrow 'Airport Town' has a population of 830,200 people – comparable to the urban areas of Newcastle and Nottingham[82]. More than 64% of the area's residents are of working age, a slightly higher proportion than nationally (62%). The area's population is also much more skewed towards younger people, with 40% of residents aged between 16 and 40, compared to 36% nationally.

B.31 Heathrow's 'Airport Town' population has been growing at a faster rate relative to England, with growth of 8% between 2011 and 2020, compared to 6% nationally[83]. The fastest population growth rate has been in Hillingdon, which has experienced population growth of 12% between 2011 and 2020.

[80] Annual Population Survey, 2021.
[81] Annual Survey of Hours and Earnings, 2021.
[82] Annual Population Survey, 2021.
[83] Annual Population Survey, 2021.

Luton 'Airport Town': Luton

Effects of the Covid-19 pandemic

B.32 Among the 63 largest cities and towns in the UK, Luton is the only one with a higher claimant count rate (claimants as a percentage of residents aged 16-64) in May 2021 than at the peak of the third lockdown in February 2021.[84]

B.33 As of April 2021, Luton had the 8th highest furlough take-up rate (13%) among the 63 largest cities and towns. It was also in the top 10 towns with the highest furlough take-up rate at the peak of the third lockdown in February 2021.[85]

B.34 Luton's key businesses (airport/aviation, automotive) are in some of the hardest hit sectors of the economy. Peak Covid air traffic was 99% down year-on-year, and peak Covid car market was down 95% year-on-year.[86] In February 2021, passenger numbers at Luton Airport were 91.7% lower than before the start of the pandemic in February 2020.[87]

B.35 In February 2021, Luton had the 4th highest number of exporting sectors furlough claims relative to total eligible employments (among the 63 largest cities and towns). According to the Centre for Cities, high furlough rates in exporting sectors are more likely to reflect falls in demand than local restrictions, with places like Luton likely continuing to be affected by the pandemic for a longer period of time.

Economic landscape

Sectoral composition

B.36 Based on 2018 sectoral composition data, 33% of Luton's employees work in 'at risk' sectors most vulnerable to the impact of the pandemic.[88]

B.37 In 2019, 7.5% of Luton's total employment was in the aviation industry and supporting activities for transportation, relative to 2.4% in England.[89] Luton's key aviation-related employers include EasyJet, Leonardo M W, London Luton Airport Operations, Monarch Airlines, Thomson Airways, Menzies Aviation and GKN Aerospace Services. Other major employers include the travel agency TUI.[90]

[84] Centre for Cities, 2021, https://www.centreforcities.org/blog/june-2021-labour-market-update/.
[85] Ibid.
[86] Luton Borough Council, 2021, https://www.luton.gov.uk/Council_government_and_democracy/Lists/LutonDocuments/PDF/Luton2020-2040/Luton2040-economic-recovery-plan.pdf.
[87] Luton Airport, 2021, https://www.london-luton.co.uk/corporate/lla-publications/statistics.
[88] Luton Borough Council, 2021, https://www.luton.gov.uk/Council_government_and_democracy/Lists/LutonDocuments/PDF/Luton2020-2040/Luton2040-economic-recovery-plan.pdf.
[89] Business Register and Employment Survey, 2021.
[90] Inter Departmental Business Register, 2017.

Skills

B.38 Throughout the last decade, Luton had a consistently lower share of residents with NVQ4+ skills than both Catalyst South and England as a whole. In 2020, 33.9% of its residents had a bachelor's degree or higher, compared to 43.1% in Catalyst South and 42.8% in England. At the same time, 10.8% of Luton's residents had no formal qualifications, compared to 4.9% in Catalyst South and 6.2% in England.[91]

B.39 In 2020, 21.9% of Luton's total employment was in managerial and professional occupations, compared to 35.6% in Catalyst South and 34.7% in England. Low-skilled occupations (process, plant and machine operatives, elementary occupations) accounted for 26.8% of employment, relative to 12.2% in Catalyst South and 14.6% in England.[92]

Economic activity

B.40 Throughout the last decade, Luton's share of economically active residents was consistently below the England average (a difference of 5.6 percentage points in 2020).[93]

B.41 Among the economically active, Luton experienced an above-average unemployment rate (relative to both Catalyst South and England) over the past 10 years. In 2019, Luton's unemployment rate stood at 5% - 1 percentage point higher than in England as a whole.[94]

Residence- and workplace-based earnings

B.42 Over the last 10 years, residence-based median earnings in Luton were below the England average. In 2019, Luton's median gross weekly pay for full-time workers stood at £561, compared to £592 in England.[95]

B.43 Those commuting into Luton earned more than residents. While the median full-time worker resident in Luton earned a gross weekly pay of £560.5 in 2019, Luton's median workplace-based earnings stood at £599.[96]

Population

B.44 In 2019, Luton had the second highest proportion of residents aged 0-17 (almost 27%) among the 63 largest UK cities and towns[97], and a share of residents below the age of 30 above the England average (42.3% compared to 36.7%).[98]

In 2011, 54.7% of Luton's residents had a white ethnic background compared to 91.2% in Catalyst South and 85.4% in England.[99]

[91] Annual Population Survey, 2021.
[92] Ibid.
[93] Ibid.
[94] Ibid.
[95] Annual Survey of Hours and Earnings, 2021.
[96] Ibid.
[97] Centre for Cities, 2021, https://www.centreforcities.org/blog/june-2021-labour-market-update/.
[98] ONS Population Estimates, 2021.
[99] Census, 2011.

Stansted 'Airport Town': Harlow, Uttlesford

B.45 The Stansted 'Airport Town' incorporates a geography of two local authority districts most affected by the economic activity generated by and around the airport: Harlow and Uttlesford.

Effects of the Covid-19 pandemic

B.46 Between February and May 2020, the Stansted 'Airport Town' recorded a five percentage point increase in the share of economically active residents claiming benefits for the primary reason of being unemployed (reaching 8.1% in May 2021), compared to a 3.9 percentage point increase in Catalyst South and a 4.2 percentage point increase in England. Since then, the claimant count rate (among the economically active aged 16+) has remained consistently above 7%, reaching 7.8% at the peak of the third lockdown in February and March 2021.[100]

B.47 Throughout the pandemic, the Stansted 'Airport Town' recorded above-average furlough take-up rates, with a difference of up to 2 percentage points relative to both Catalyst South and England.[101]

B.48 Stansted Airport has made widespread use of the Coronavirus Job Retention Scheme, with up to 70% of employees on furlough. The airport scaled back the terminal's hours of operation, temporarily closing two of the satellite departure gates, most of the onsite car parking and retail offerings, while its parent company (Manchester Airport Group) recorded a significant redundancies, with the number of employees around a third smaller than it was before the pandemic.[102]

Economic landscape

Businesses and sectoral composition

B.49 Stansted Airport, located in Uttlesford, was the UK's fourth biggest airport by total passenger traffic in 2019[103], and an important driver of local economic activity through both direct and indirect employment effects. It was the largest single employment site in the East of England, directly employing 12,000 people across 220 companies in 2018.[104] It was also estimated that a substantial proportion of the airport's workforce (18.3%) resided in Uttlesford, capturing a cumulative £39.7m in wages.[105] In 2015, the airport supported 9,000 jobs through supply chain and consumer spending effects.[106]

B.50 In 2019, 8.6% of the airport town's employment was in the aviation sector and supporting activities for transportation – this corresponds to 7,500 jobs in the sector, of which 6,000 were in Uttlesford and 1,500 in Harlow. The share of employment accounted for by the sector was

[100] ONS Claimant Count, 2021.
[101] HMRC, 2021.
[102] London Stansted Airport, 2021, https://mediacentre.stanstedairport.com/covid-19---one-year-on/.
[103] UK Civil Aviation Authority, 2019, https://www.caa.co.uk/Data-and-analysis/UK-aviation-market/Airports/Datasets/UK-Airport-data/Airport-data-2019/.
[104] Uttlesford District Council, 2018, *Uttlesford Economic Development Strategy and Action Plan 2018-21*.
[105] Oxford Economics, 2013, *Economic Impact of Stansted Scenarios.*
[106] MAG London Stansted Airport, 2018, *Stansted Airport Environmental Statement – Volume 1 (Chapter 11 Socio-Economic Impacts).*

over 3.5 times higher than in England as a whole. Additionally, an above-average share (nearly 10%) of Uttlesford's jobs was in the hospitality and travel industry.[107]

B.51 In 2019, Uttlesford was home to over 5,400 businesses, nearly 91% of which were micro businesses. Similarly, of 3,000 businesses in Harlow, 88% employed fewer than 10 people.[108]

Skills

B.52 In 2019, 40.1% of the airport town's residents had a bachelor's degree or higher, while 10% had no formal qualifications. At the same time, while the town's overall proportion of residents employed in managerial positions or professional occupations (34.4%) was close to the Catalyst South (35.5%) and England (33.2%) figures, there was an almost 12 percentage point difference in skilled employment between the two districts – 39.6% in Uttlesford compared to 28% in Harlow. Similarly, there was a difference between the two districts in the proportion of low-skilled employment (27.1% in Harlow and 12.4% in Uttlesford), while the overall proportion (19.1%) was slightly above the Catalyst South (14.6%) and England (16.4%) figures.[109]

B.53 Uttlesford is home to Stansted Airport College, a specialist college offering technical and professional courses in aviation, engineering, business, hospitality and events, led by Harlow Collage in partnership with London Stansted Airport (MAG). In the academic year 2019/2020, there were 385 full-time students and 55 apprentices enrolled at the College, which grew to 408 full-time students and 60 apprentices in 2020/2021. However, student numbers are likely to be lower in 2021/22 – reflecting perceptions of careers in aviation in the context of the pandemic. In 2021, graduate destinations included university education, employment (including Ryanair, RAF, Novotel, FedEx), apprenticeships (both Stansted Airport College and other such as Inflite, Titan, Skysmart, GT Engines, Weald Aviation, Kearsley Airways), and a Higher Education Certificate course in International Travel and Tourism Management at Harlow College.[110]

Economic activity and employment

B.54 In 2019, the Stansted 'Airport Town' had an overall economic activity rate slightly above the England average and slightly below the Catalyst South average (80.4% relative to 79.2% and 81.5% respectively). Similarly, the town recorded a close-to-average employment rate of 77.2%, compared to 76% in England and 78.9% in Catalyst South.[111]

Residence- and workplace-based earnings

B.55 Throughout the last decade, the median gross weekly earnings for full-time employees were consistently higher in Uttlesford than Harlow – in 2019, the median weekly earnings of the two districts' residents were £690 and £520.5 respectively, relative to £592.1 in England as a

[107] Business Register and Employment Survey, 2021.
[108] ONS Business Counts, 2021.
[109] Annual Population Survey, 2021.
[110] Data from Stansted Airport College provided by SELEP, 2021.
[111] Ibid.

whole. Workplace-based (full-time) earnings were higher than the residence-based figure in Harlow (£603.5 versus £520.5) but lower in Uttlesford (£622.5 versus £690), suggesting Harlow's residents earned less than not only Uttlesford's residents but also those commuting into their district.[112]

Population

B.56 Overall, the Stansted 'Airport Town' has a similar age structure to that of England, with 35.9% of residents below the age of 30 in 2019 (compared to 36.7% in England).[113] Within it, Uttlesford's population is older and less ethnically diverse than that of Harlow – in 2019, 33.4% of Uttlesford's residents were below the age of 30 compared to 38.4% in Harlow, and in 2011, 96.6% had a white ethnic background compared to 89.1% in Harlow (relative to 85.4% in England).[114]

[112] Annual Survey of Hours and Earnings, 2021.
[113] ONS Population Estimates, 2021.
[114] Census, 2011.

Southend 'Airport Town': Southend-on-Sea, Rochford

B.57 The Southend 'Airport Town' incorporates a geography of two local authority districts most affected by the economic activity generated by and around the airport: Southend-on-Sea and Rochford.

Effects of the Covid-19 pandemic

B.58 At the outset of the pandemic, the Southend 'Airport Town' experienced a sharp spike in the claimant count rate, from 3.6% of the economically active in February 2020 to 8.1% in May 2020. Since then, the claimant count rate has remained steady (with monthly variations from 7.5% to 8.1%), at levels corresponding to over twice the number of people claiming benefits in the months leading up to the pandemic. However, while the claimant count rate in the Southend 'Airport Town' has been around 1-1.5 percentage points higher than in Catalyst South as a whole, the town has been following a very similar claimant count trajectory to that of England (with deviations below 0.3 percentage points), indicating a labour market shock close to the national average.[115]

B.59 Since the launch of the Coronavirus Job Retention Scheme, the Southend 'Airport Town' has experienced a near-average incidence of furlough, closely following the Catalyst South and England trajectories. In June 2020, the area saw a spike of 29% in the furlough take-up rate (employments on furlough scaled by eligible employments), followed by a gradual decline to 7% in October 2020, and a small subsequent increase to reach 12% in April 2021.[116]

B.60 In 2020, London Southend Airport experienced a 93% reduction in the number of passengers – a drop from 2.15 million in 2019 to 150,000 in 2020. The airport's activity was at the lowest level in its history, with air traffic down 46% on previous year (including private jets movements down 75% and cargo down 9%). In 2019, Esken's Stobart Aviation (providing baggage handling, check-in and logistics solutions at the airport) employed over 510 people, which dropped to 350 in 2020 – a consequence of employees leaving the aviation sector for what was perceived as more secure jobs, rather than widespread redundancies.[117]

Economic landscape

Businesses and sectoral composition

B.61 The sectoral composition of the town's economy has been more diversified and less reliant on the aviation industry than the local economies around Gatwick, Heathrow or Luton, with less than 2% of total employment in the sector in 2019. The overall proportion of people employed in aviation and supporting activities was lower in the Southend 'Airport Town' than in England as a whole. There was a stark difference in the concentration of aviation sector

[115] ONS Claimant Count, 2021.
[116] HMRC, 2021.
[117] South East Local Enterprise Partnership, 2021.

jobs between the two districts, with 5.4% of Rochford's employment in the sector compared to 0.3% in Southend-on-Sea.[118]

B.62 In 2019, London Southend Airport directly supported 1,430 FTE jobs (including 350 high-skilled jobs), and was home to around 30 businesses. Its estimated economic contribution amounted to £71 million, £61m of which was to the South Essex economy.[119] As of February 2020, just before the start of the pandemic, the airport directly supported 1,536 jobs, with 270 people employed by London Southend Airport Company Ltd. It was estimated 83% of London Southend Airport employees were from the Southend-on-Sea postcode area, 12% were from the wider Essex area and only 5% were from outside of Essex. The airport offered higher wages than the local average.[120]

Skills

B.63 In 2019, the proportion of the town's residents with a bachelor's degree or higher was 8.5 percentage points below the England figure (31.5% relative to 40%), while the proportion of people with no formal qualifications exceeded that of England by 2.4 percentage points. A similar pattern could be observed in relation to the rest of Catalyst South. However, among those in employment, the occupational composition was close to the national and Catalyst South average.[121]

Economic activity and employment

B.64 In the years leading up to the pandemic, the Southend 'Airport Town' experienced higher economic activity rates than England and Catalyst South as a whole (82.3% compared to 79.2% for England in 2019). Similarly, the town's employment rate also exceeded the national and Catalyst South figures (79.7% relative to 76% for England in 2019).[122]

Residence- and workplace-based earnings

B.65 Over the last decade, the Southend 'Airport Town' had higher resident wages than the national average, with the earnings of Rochford's residents exceeding those of Southend's population. In 2019, the median gross weekly pay for full-time employees was £725 in Rochford and £614 in Southend-on-Sea (relative to £592 for the whole of England). Workplace-based earnings were lower than resident earnings in both districts.[123]

[118] Business Register and Employment Survey, 2021.
[119] South East Local Enterprise Partnership, 2021.
[120] Esken, 2021, *Airports and their communities: Collaboration is key*.
[121] Annual Population Survey, 2021.
[122] Ibid.
[123] Annual Survey of Hours and Earnings, 2021.

Population

B.66 The Southend 'Airport Town' has an older and less ethnically diverse population than England as a whole. In 2019, 33.4% of its residents were below the age of 30 (compared to 36.7% in England)[124], while the 2011 census data indicate 97.2% of Rochford's and 91.6% of Southend's residents have a white ethnic background (compared to 85.4% in England).[125]

[124] ONS Population Estimates, 2021.
[125] Census 2011.

Southampton 'Airport Town': Southampton, Eastleigh

B.67 As defined here, Southampton 'Airport Town' includes two local authority districts: Southampton and Eastleigh. In practice, however, the wider Solent economy is highly inter-connected and this wider regional vantage point is very important.

Effects of the Covid-19 pandemic

B.68 Since March 2020, there has been a substantial reduction in airport activity. This followed the collapse of Flybe in early March 2020, before the first lockdown. Previously, Flybe accounted for the majority of flights from Southampton International Airport. There have therefore arguably been two distinct shocks affecting the airport and the local area around it.

B.69 Since the start of the pandemic, the claimant count rate in Southampton 'Airport Town' has remained above the overall trend within Catalyst South but below the national average. There was a visible spike in the claimant count during the early months of the pandemic.[126] As elsewhere, the furlough take-up rate peaked in June 2020.[127]

B.70 Gross value added in Eastleigh was estimated to fall by 14.8% over 2020, and is expected to recover to 2019 GVA levels by 2022. Estimates suggest Eastleigh experienced a drop in employment of 4.1%, with employment levels expected to recover to 2019 levels by 2023.[128] Southampton Travel to Work Area is estimated to have experienced a -9.9% GVA growth rate in 2020 (this compares to a UK growth rate of -11%). GVA is projected to grow by 4.2% in 2021, slightly below the UK average of 4.8%.[129]

Economic landscape

Businesses and sectoral composition

B.71 In 2019, aviation and supporting activities accounted for 3.3% of employment in the Southampton 'Airport Town', which corresponds to an above-average concentration of aviation sector jobs relative to England (location quotient of 1.34 in 2019).

B.72 In 2015, almost 950 individuals were employed at the Southampton International Airport site. It was estimated the airport supported a further 1,300 jobs through the supply chain network serving the businesses located on site, and 650 jobs through the spending of employees of businesses located on the airport campus and of companies in the supply chain. Of the people employed on the airport campus, 31% worked in air transport services, 24% in airlines, 22% for Southampton Airport Ltd, 11% in retail and catering, 4% in air traffic control, 4% in car parking or car hire, and the remaining 3% in other businesses.[130] In March 2020, just before the pandemic, the airport's operation was severely affected by the collapse of

[126] ONS Claimant Count, 2021.
[127] HMRC, 2021.
[128] Solent LEP, 2021, *Solent Economic Recovery Plan*.
[129] PwC, 2021, *Good Growth for Cities. The local economic impact of Covid-19.*
[130] Steer Davies Gleave, 2017, *The Economic Impact of Southampton Airport*.

Flybe which had served the majority of passengers travelling through the airport (over 90% in 2016-2018).[131]

B.73 The economy of the area around Southampton Airport is more diversified than in most of the other 'Airport Towns'. Apart from transportation and storage (linked to aviation but also the cruise industry), Southampton's most important sectors include financial and insurance services, retail, education and health.[132] In Eastleigh, major sectors include distribution, transport, accommodation, food and business services.[133]

Skills

B.74 In 2019, the proportion of the town's residents with a bachelor's degree or higher was close to the national average, while the proportion of people with no formal qualifications was 0.9 percentage points lower than that of England. While the skill composition matched the Catalyst South average, the area's occupational composition was more skewed towards less-skilled occupations relative to the rest of Catalyst South.[134]

Economic activity and employment

B.75 In 2019, the Southampton 'Airport Town' recorded a close-to-average economic activity rate (80% compared to 79.2% in England and 81.5% in Catalyst South as a whole). At 75.7% its employment rate was, however, 3.2 percentage points lower than that of Catalyst South and slightly below the national figure of 76%.[135]

Residence- and workplace-based earnings

B.76 Throughout the last decade, resident earnings in Southampton remained at a lower level than earnings in Eastleigh, with the national average in between – in 2019, the median gross weekly pay of Southampton residents (full-time employees) was £553, compared to £619.5 in Eastleigh and £592 in England as a whole. In Eastleigh, resident earnings were above the workplace-based figure, while Southampton residents on average earned less than those commuting into the district.[136]

Population

B.77 In 2019, the Southampton 'Airport Town' had a younger population than England as whole – 42.2% of the town's population was below the age of 30 compared to 36.7% in England (largely driven by Southampton's large 20-29 population).[137] In 2011, Southampton had a close-to-average proportion of residents with a white ethnic background (85.9%), while Eastleigh was less ethnically diverse (94.7%).[138]

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[131] Savills, 2021, *Environmental Statement Addendum 2* (to the planning application F/19/86707).
[132] Southampton Data Observatory, 2021, *Southampton Economic Assessment Refresh – March 2021*.
[133] Hampshire County Council, 2017, *Eastleigh Local Economy 2016*.
[134] Annual Population Survey, 2021.
[135] Ibid.
[136] Annual Survey of Hours and Earnings, 2021.
[137] ONS Population Estimates, 2021.
[138] Census, 2011.

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