

APPENDIX 1 – JOB CREATION ADJUSTMENTS NOTE

Adjustments

Appropriate adjustments are required to the direct employment generation to take account of factors such as leakage, displacement, substitution, and multiplier effects (see HCA Additionality Guide – Fourth Edition 2014).

A summary of the relevant adjustments is set out below:

‘Leakage’ refers to the allowance made for employment that is taken up by those that live outside the scheme target area (i.e. employees that travel into Heathfield from elsewhere).

‘Displacement’ is an allowance made for the reduced employment opportunities elsewhere as a result of the proposed development – i.e. providing commercial floorspace on this site may reduce demand for floorspace on other sites on the estate.

‘Substitution’ is similar to ‘displacement’ and is often considered as part of the same adjustment. ‘Substitution’ refers specifically to an allowance to reflect that a new job opportunity created may lead to the loss of an existing opportunity in another location.

‘Multiplier effects’ is an allowance made for the knock-on benefits that result from the employment generation. This will arise where increased local income or expenditure is generated, or where the development leads to local supplier opportunities (e.g. other supplier purchases or supporting services, such as cleaning, catering, equipment maintenance, marketing and PR). Multiplier effects can be significant in major development proposals.

Leakage

The level of leakage adjustment to be made depends on a number of factors, for example:

- how accessible the employment opportunities will be to those who live outside the local area;
- the attractiveness of the employment opportunity to the available pool of suitable employees; and
- the state of the local economy.

Accommodation of this nature tends to draw from a local catchment area and in this case, a low allowance for ‘leakage’ is considered appropriate. A 10% allowance has been made on the basis that the majority of the employment benefits will go to people living within the local area.

Displacement and Substitution

The scale of allowance to be made for displacement and substitution effects varies according to the nature of floorspace proposed and the local market. It is clear that some displacement will arise as the new floorspace proves more attractive in the local market place. Equally, some substitution may arise as a result of jobs on site replacing other jobs elsewhere. A 25% allowance for displacement and substitution effect has been assumed.

Multiplier Effects

The ‘Additionality Guide’ also provides some useful examples of multiplier effects for development for both the local area and wider region. In this case, given the nature of the floorspace proposed and how it is anticipated to function, a conservative approach has been

adopted and only a 'local' multiplier effect of 1.21 (i.e. 0.21 multiplier FTE jobs created for each direct employment opportunity) has been adopted.

Net Employment Generation

Once the above adjustments have been made it is possible to estimate the net employment generation i.e. Gross employment generated *minus* leakage, displacement and substitution, *plus* multiplier effects.