

## 6 London's people

### Key findings

#### Demography

- London's population is bigger than ever before with approximately 8.7 million residents, exceeding the previous peak seen in 1939. The population is not distributed evenly across the region with more densely populated areas in Inner London.
- London has a younger age structure than the rest of the UK. This is driven by the tendency for young adults to flock into London to study and to work.

#### London's future population

- Looking to the future, London's population is set to continue to grow and evolve. In fact, it is projected to increase to over 10 million inhabitants by 2036.
- Not only is London's population rising, it is also getting older. By 2036, 15 per cent of London's population is projected to be over the age of 65, compared with 11 per cent in 2015.
- London's school-age population is also growing and is projected to number nearly 1.4 million by 2036, bringing with it its own challenges for London in terms of school place planning.
- Driving London's population growth has been a considerable rise in the number of births and, most significantly, large inflows of international migrants.

#### Migration to London

- London's high international inflow means it has become something of a hub for foreign-born communities. Approximately 3.1 million people living in London were born abroad (37 per cent of the total population), with just under half having arrived in the UK in the last 10 years.
- All of the above has made London a city renowned for its diversity. Some 40 per cent of its residents perceived themselves as Black, Asian, Mixed or another non-White ethnicity.

## Households

- The average household size for London was 2.47, up from around 2.4 in 2001, and was the largest of any region in England & Wales. The national average was 2.36 in 2011. However, London is a city of contrasts and includes the local authorities with both the lowest and highest average household sizes.
- Approximately one-in-three households in London (32 per cent) were made up of just one person, while 37 per cent were couple households.
- Some 31 per cent of households contained at least one dependent child. Moreover, 74 per cent of parents in couple families were working compared with 53 per cent of lone parents.
- At the time of the 2011 Census, half of households were owner occupied while 26 per cent were private rented and 24 per cent social rented. Comparing this with the national average, owner occupation was much less common in the capital with a higher proportion renting their accommodation than nationally.

## Commuters

- While 8.7 million live in London, London's workday population grows by an additional half a million as commuters flood into work. In fact, one-in-six people working in London actually lives outside of its boundaries.

## London's labour market

- The percentage of London residents who were in work is at record-levels, with the latest estimate showing 72.4 per cent in employment. That is almost six percentage points higher than the lows recorded in 2011 and 2012. Similar trends were recorded for unemployment which, at 6.4 per cent, was historically low.
- Despite the improvement in London's labour market, the employment rate remains below, and the unemployment rate remains above that for the UK. Nevertheless, these gaps have narrowed in recent years.
- The employment gap between London and the UK could be due to London's unique characteristics, such as its more ethnically diverse and younger population, its share of full-time and part-time jobs and higher living costs that raise the opportunity cost of working. Accounting for these characteristics, London's employment would be higher than the UK.
- The average (median) gross hourly wage was £17.16 for full-time roles and £9.60 for part-time jobs in London in 2015. These compared to £13.36 and £8.48 respectively for the UK. Men had a higher full-time hourly rate than women in London. This pay gap was larger than the UK as a whole and was also wider at higher levels of earnings. In contrast, part-time women in London had a higher hourly wage than their male counterparts.

## Current topics with London's labour market

- The percentage of workers in London who were underemployed – that is, individuals who are in work but want to work more hours – was 9.2 per cent in 2014. Underemployment was more prevalent for part-time workers, low-skilled occupations and younger age groups. In contrast, the overemployment rate – that is, the percentage of people who are in work but want to work fewer hours – was estimated at 9.1 per cent. Generally, underemployment has exceeded overemployment in each year since 2011 suggesting that there is more spare capacity in London's labour market than indicated by the official unemployment rates.
- Over half of employers in London reported staff skills that were under-used in 2013, which was the second-highest rate among the English regions. This, again, could be due to London-specific characteristics, such as London having a larger proportion of migrant workers than England as a whole. For example, analysis suggested that non-UK born individuals who were equally qualified to UK-born employees were less likely to be in high-skilled roles and instead more likely to be in low-skilled jobs. This could be because of employers not recognising or the perceived lower quality of overseas qualifications.
- London's labour market has seen a change in its occupation structure between 2004 and 2014, with an increase in high-skilled and service-orientated jobs, but a decline in middle-skilled roles.

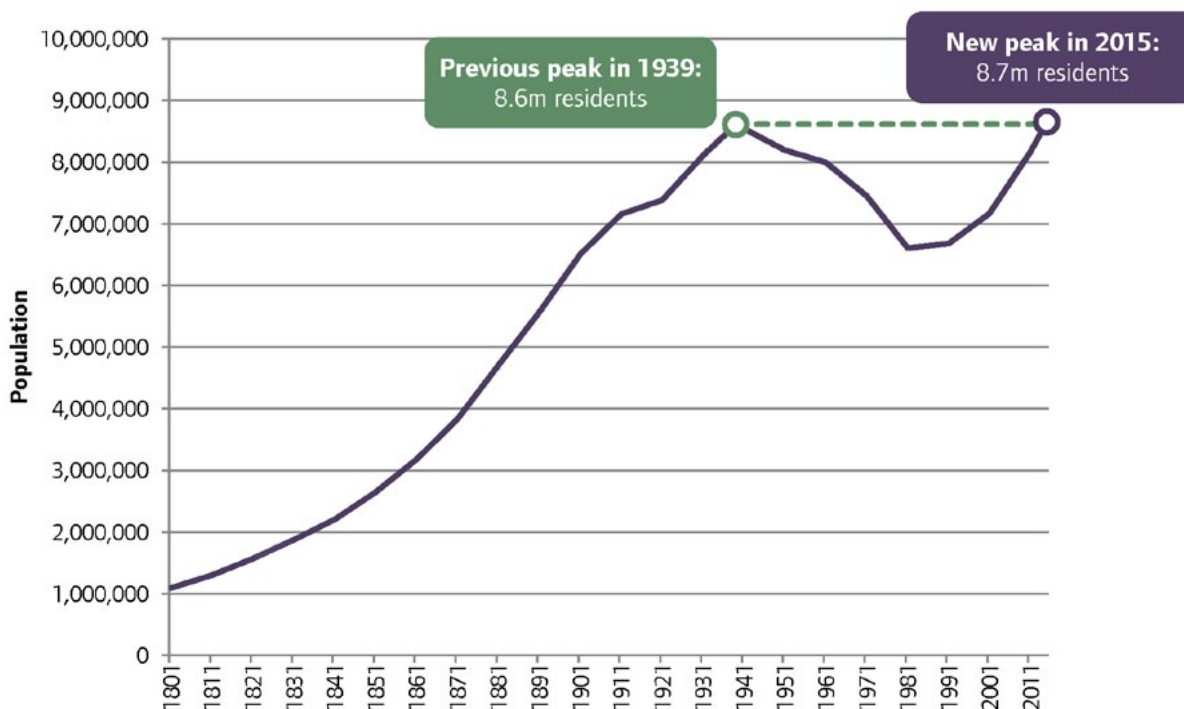
## The supply of labour

- The number of young people aged 16-24 who were not in education, employment or training (NEET) was 105,000 in Q3 2015. London had a lower proportion who were NEET than the England average, which could partially be linked to a higher percentage of students achieving at least five A\*-C grade GCSEs (70.4 per cent versus 64.2 per cent in 2014-15) – a risk indicator for being NEET.
- Whilst the majority of older people aged 65 and over were retired and therefore economically inactive, 11.9 per cent were still in employment in 2014. Almost half of these did so as they were not ready to stop work, though one-in-five said it was to pay for essential items such as bills. Moreover, older people also participate in the informal labour market by caring for adults, childcare and volunteering.

## London's demography

In 2015, approximately 8.7 million people were living in London making it larger than ever, exceeding the previous population peak in 1939. To give an idea of the scale, the number of people living in London is of a comparable size to the entire population of Austria or Switzerland<sup>1</sup>.

**Figure 6.1: Total population of Greater London, 1801-2015**



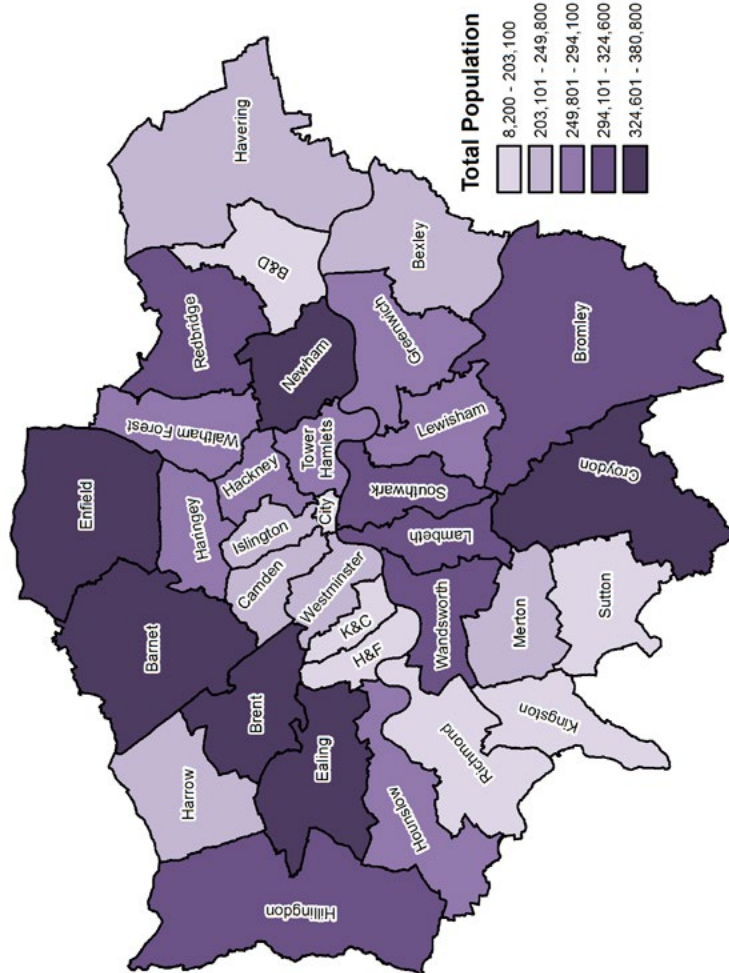
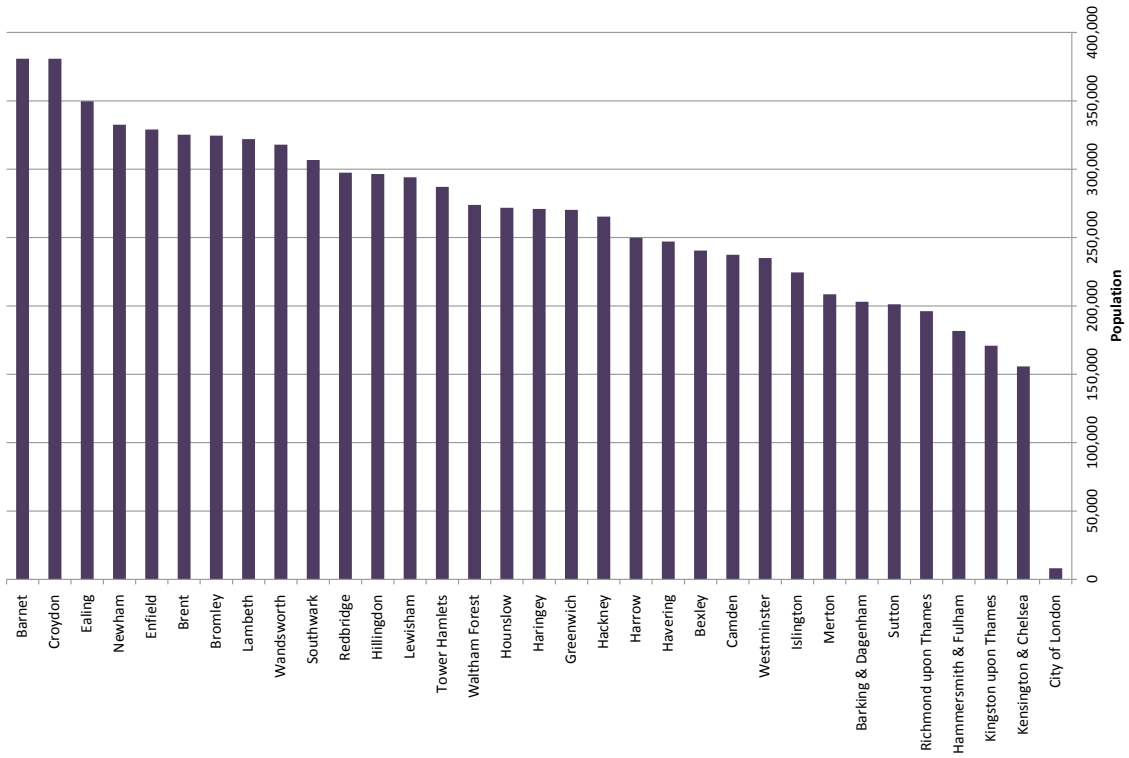
Source: ONS Census, GLA trend-based population projections (short-term migration scenario)

Between 1939 and the 1981 there was a fall in the population, driven by policy changes implemented after the Second World War that resulted in people moving out of London into the newly built “New Towns” surrounding London (such as Basildon and Crawley)<sup>2</sup>.

However, since the late 1980s, London's population has seen unprecedented growth driven by the city's strong economic performance, an improving image and, perhaps most significantly, large inflows of international migrants.

Map 6.1 shows how London's population is distributed across its boroughs. Unsurprisingly, the spatially larger Outer London boroughs tend to have the greater number of residents with the notable exception of Newham – an Inner London borough with a similar population size to the significantly larger boroughs of Bromley and Ealing.

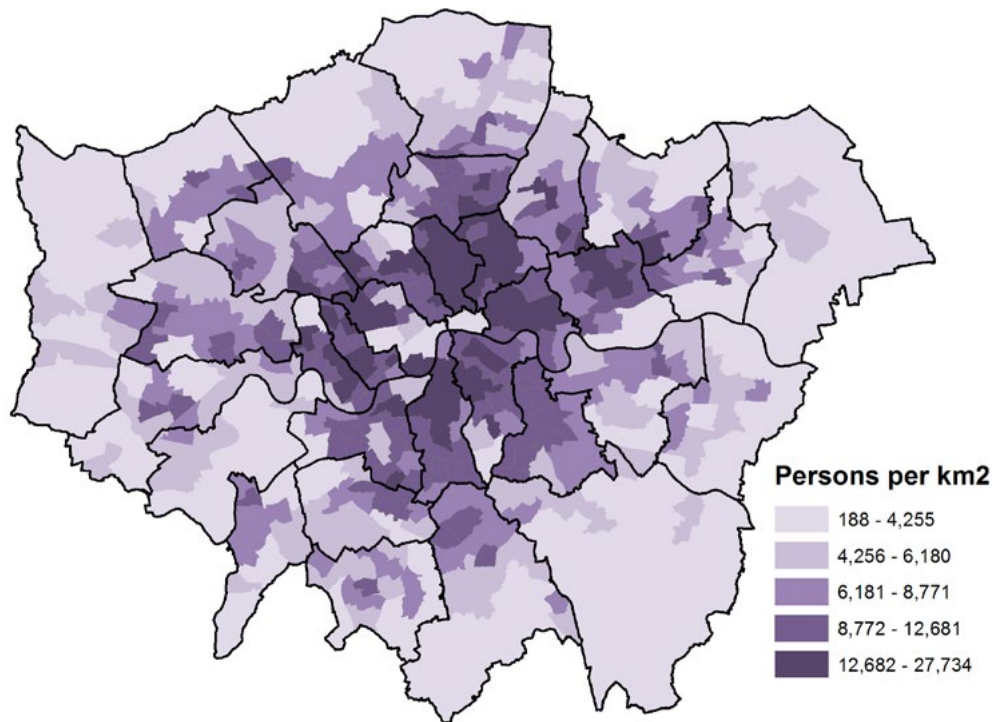
Map 6.1: Total population by London borough, 2015



Source: GLA trend-based population projections (short-term migration scenario)

Looking at population density gives us a different picture. Map 6.2 shows that the more densely populated areas tend to be in Inner London. The most densely populated boroughs in London are Islington (15,112 persons per square kilometre), Tower Hamlets (14,522 persons per hectare) and Hackney (13,918 persons per square kilometre). Across the whole of London the population density is 5,506 persons per square kilometre. For further analysis of population densities, including international comparisons, refer to Chapter 2.

**Map 6.2: Persons per km2 by ward, 2011**



Source: GLA Ward Population Projections

**Table 6.1: Total population and density by borough, 2014**

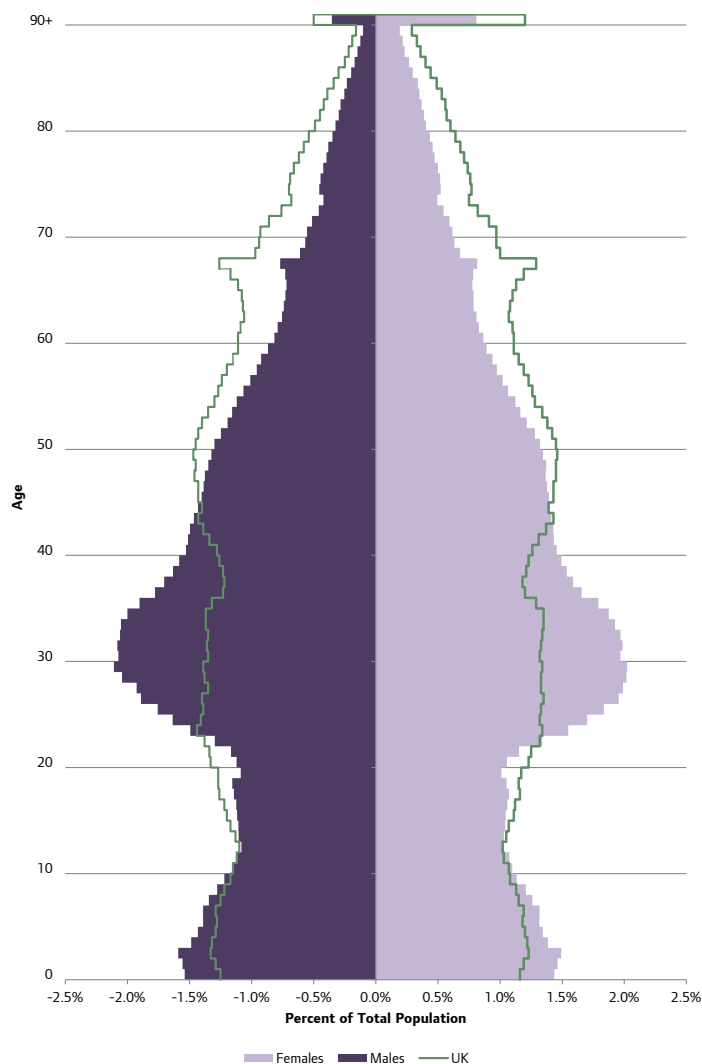
Borough	Population, 2014	Area (km2)	Population Density (persons per km2)
Barking and Dagenham	203,060	36	5,626
Barnet	380,778	87	4,390
Bexley	240,562	61	3,972
Brent	325,257	43	7,523
Bromley	324,558	150	2,161
Camden	237,364	22	10,890
City of London	8,211	3	2,833
Croydon	380,749	87	4,401
Ealing	349,727	56	6,299
Enfield	329,038	81	4,071
Greenwich	270,187	47	5,707
Hackney	265,317	19	13,918
Hammersmith and Fulham	181,718	16	11,078
Haringey	270,983	30	9,158
Harrow	249,840	50	4,950
Havering	247,058	112	2,199
Hillingdon	296,490	116	2,563
Hounslow	271,843	56	4,856
Islington	224,554	15	15,112
Kensington and Chelsea	155,739	12	12,840
Kingston upon Thames	170,899	37	4,588
Lambeth	321,984	27	12,005
Lewisham	294,096	35	8,368
Merton	208,454	38	5,543
Newham	332,583	36	9,181
Redbridge	297,447	56	5,273
Richmond upon Thames	196,152	57	3,416
Southwark	306,745	29	10,631
Sutton	201,207	44	4,589
Tower Hamlets	287,093	20	14,522
Waltham Forest	273,934	39	7,058
Wandsworth	318,016	34	9,282
Westminster	234,988	21	10,941
Inner London	3,439,389	319	10,772
Outer London	5,217,240	1,253	4,164
London	8,656,629	1,572	5,506

Source: GLA trend-based population projections (short-term migration scenario)

## Age structure

London has a younger age structure than the rest of the UK. The median age of Londoners in 2014 was 34 years old compared with the national average of 39 years old. This is driven by the tendency for young adults to flock into London to study and to work.

Figure 6.2 below shows that London had a much higher proportion of residents aged between 25 and 45 years old compared with the national average in 2014.

**Figure 6.2: Age structure of London compared to United Kingdom, 2014**

Source: ONS Mid-year Estimates 2014

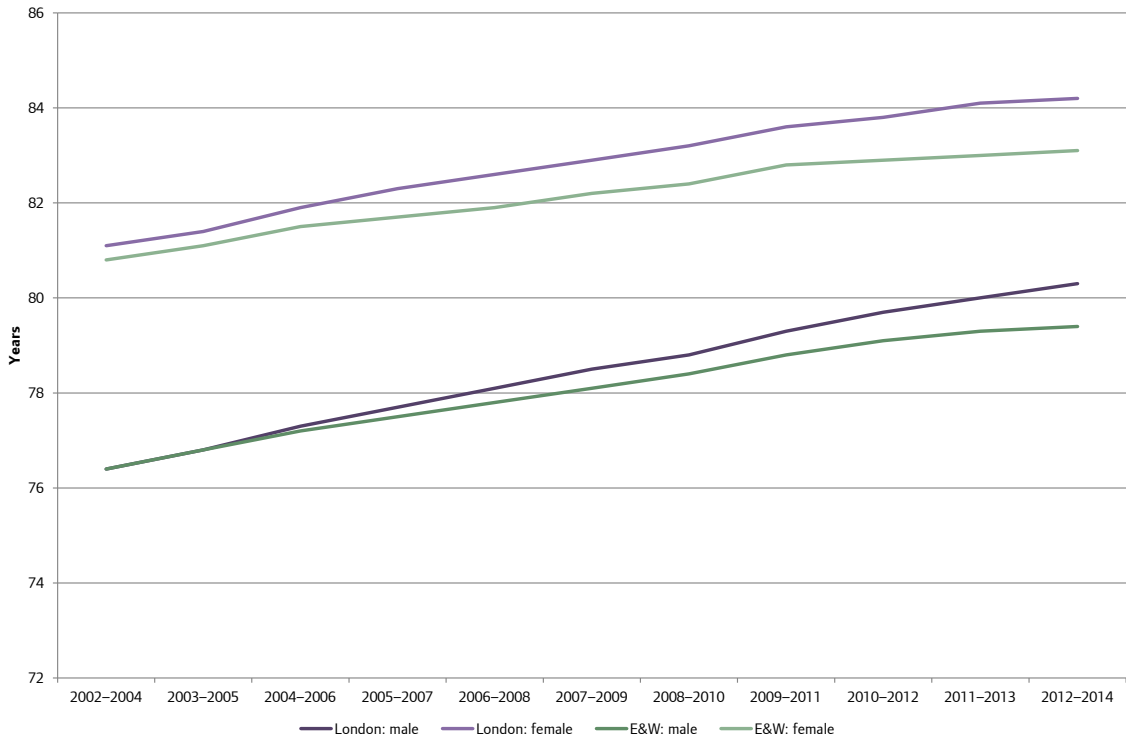
### Life expectancy

Life expectancy at birth in London has been steadily increasing for both males and females and has risen faster in recent years when compared to life expectancy at birth in England & Wales. A baby boy born in London during 2012-2014 could expect to live 80.3 years compared with 79.4 years for a baby boy born in England & Wales. For a new-born baby girl in London this rises to 84.2 years and 83.1 years in England & Wales. That said, the gap between male and female life expectancy has also fallen and females in London are now expected to live only 3.9 years longer than their male counterparts.

However, there is a high level of variation regarding life expectancy within London, which will be covered in Chapter 7.



**Figure 6.3: Life expectancy at birth, London and England & Wales, 2002-2004 to 2012-2014**

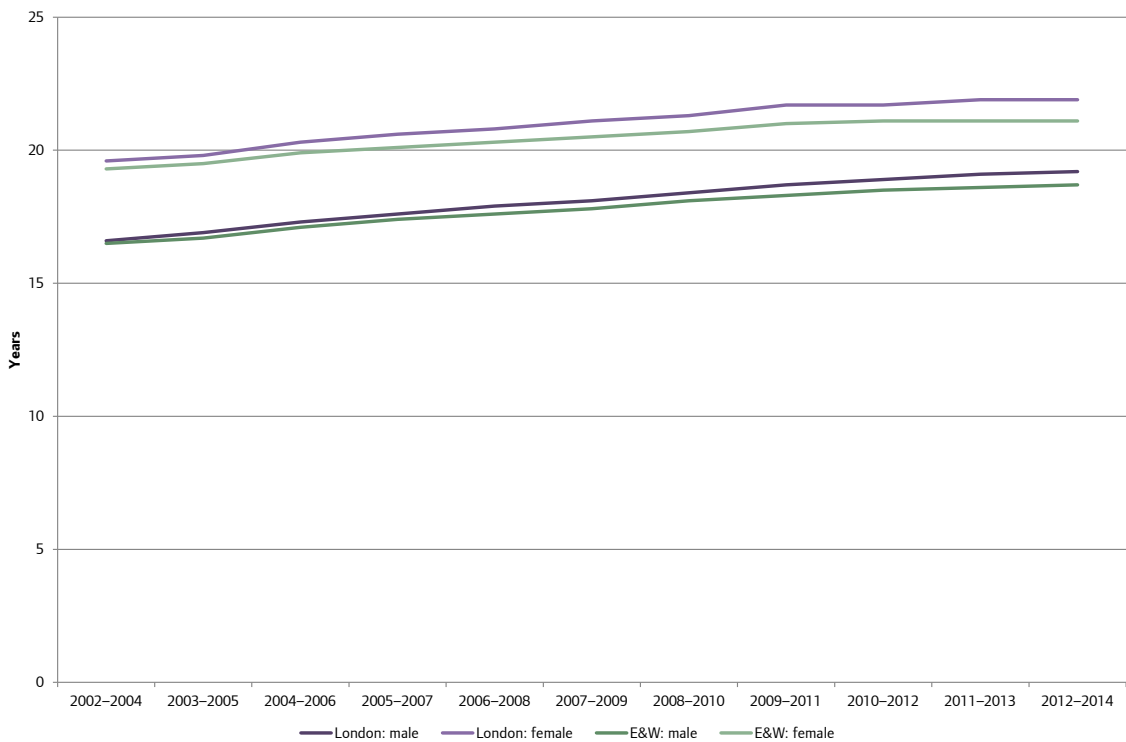


Source: ONS Life Expectancy at Birth

Life expectancy at age 65 for Londoners has also been rising. In 2012-2014, females aged 65 could expect to live a further 21.9 years (age 86.9) and males 19.2 years (age 84.2). The difference between the two has also been closing and was 2.7 years in 2012-2014.

There is less difference in life expectancy at age 65 when comparing London and England & Wales as opposed to life expectancy at birth.

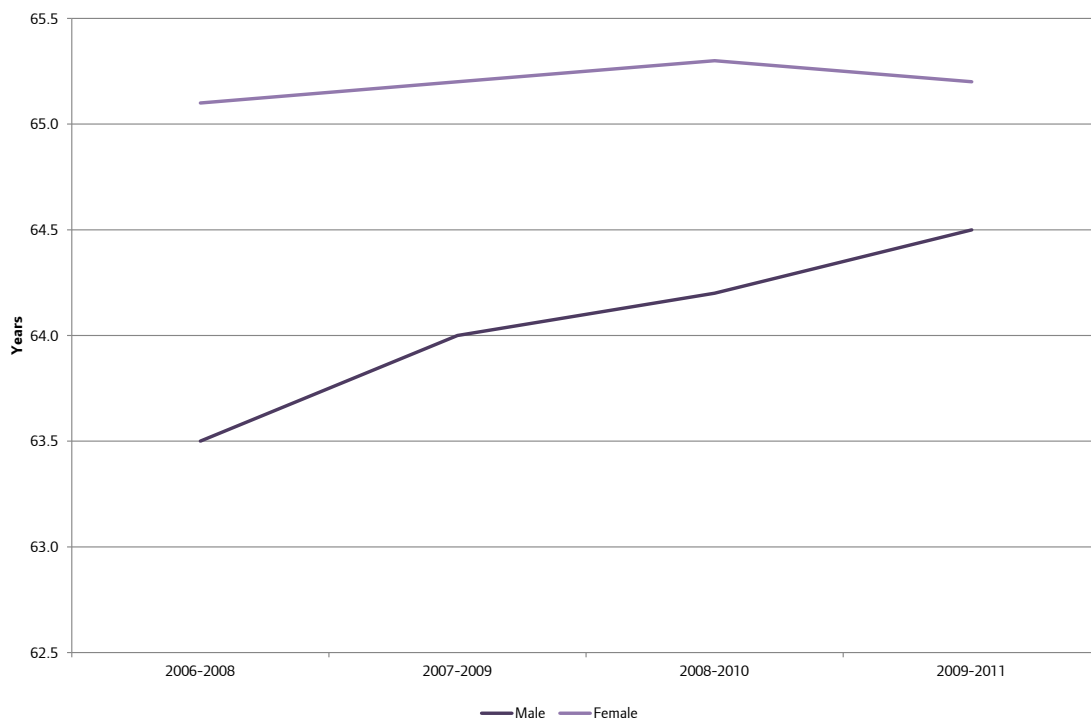
**Figure 6.4: Life expectancy at age 65, London and England & Wales, 2002-2004 to 2012-2014**



Source: ONS Life Expectancy at Age 65

In London, disability-free life expectancy (DFLE)<sup>3</sup> for males at birth was 64.5 years and for females 65.2 years in 2009–2011. Despite having a shorter DFLE, males can expect to spend 81 per cent of their life free from disability compared with 78 per cent for females.

**Figure 6.5: Disability free life expectancy at birth, London, 2006-2008 to 2009-2011**

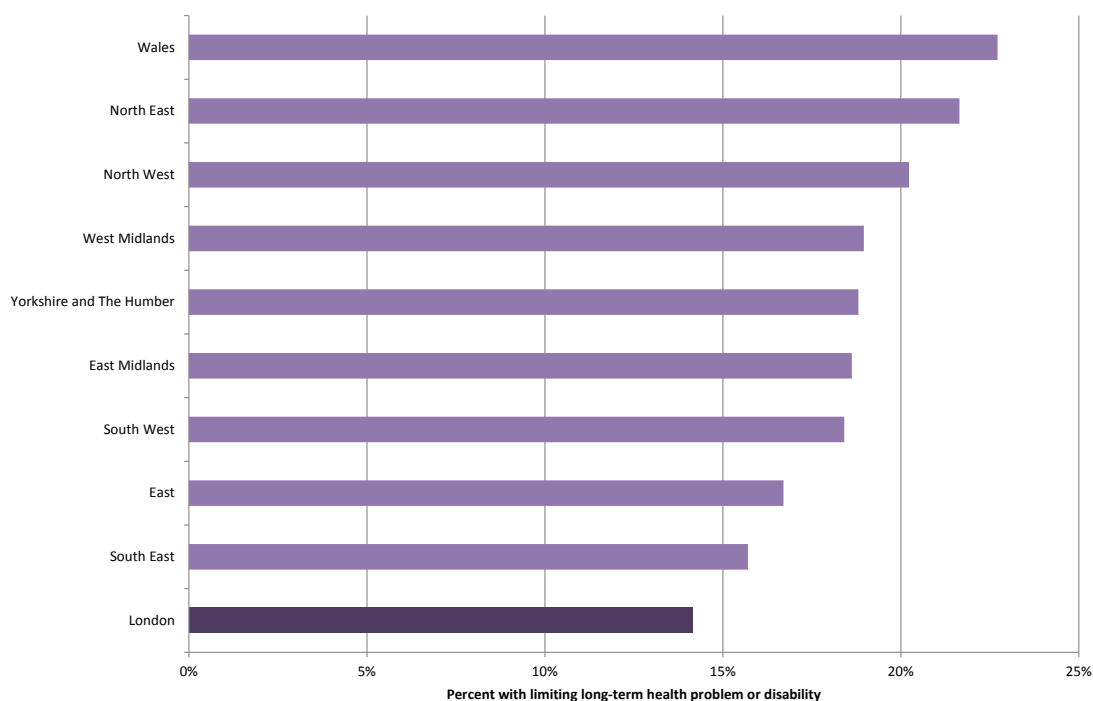


Source: ONS Disability free life expectancy at birth

### Health & Disability

London saw 1.16 million (14 per cent of residents) reporting that they had a long-term health problem or disability which limited their day-to-day activities. This proportion was below the national average (18 per cent) and was lower than every other region in England & Wales.

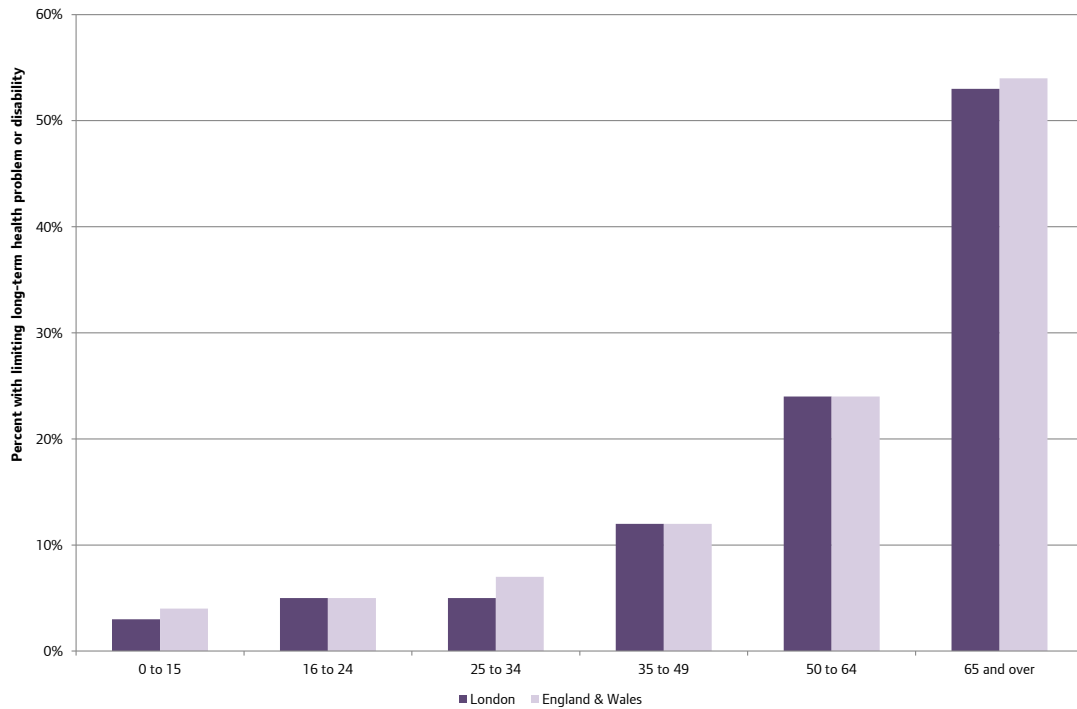
**Figure 6.6: Percent of usual residents with a limiting long-term health problem or disability by region, 2011**



Source: ONS Census 2011

This was mostly due to London’s comparably younger age structure. When looking at individual age groups the rate of Londoners with limiting long-term health problems did not vary significantly from the national average.

**Figure 6.7: Percent with a limiting long-term health problem or disability in London and England & Wales by age group, 2011**

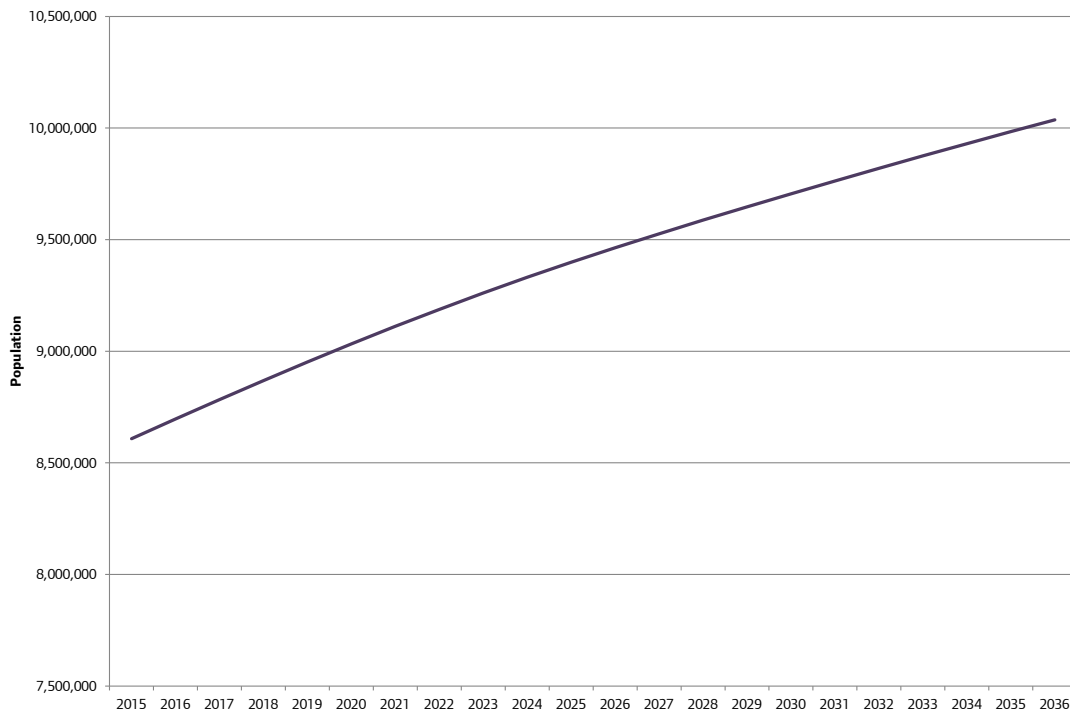


Source: ONS Census 2011

### London’s future population

Looking to the future, London’s population is set to continue growing. In fact, it is projected to increase to over 10 million inhabitants by 2036<sup>4</sup>.

**Figure 6.8: Total projected population, London, mid-2015 to mid-2036**

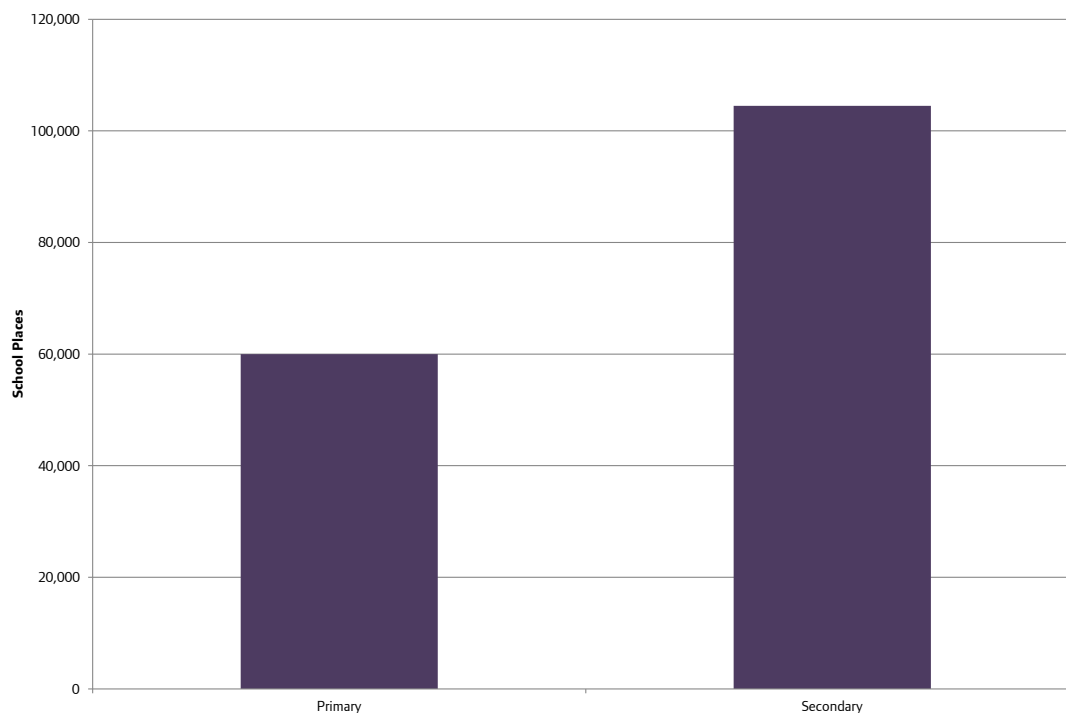


Source: GLA 2014 trend-based population projections (long-term migration scenario)

Not only is London's population rising, it is also getting older. By 2036, 15 per cent of London's population is projected to be over the age of 65 compared to 11 per cent in 2015. This means that the number of over-65s in London will go up by more than 50 per cent over the period. However, it is the number of over-90s – the so-called baby boomers born post-war – for whom the greatest increases are projected, with the number set to more than double to make-up over one per cent of London's population by 2036.

London's school-age population<sup>5</sup> is also growing and is projected to number nearly 1.4 million by 2036, bringing with it its own challenges for London in terms of school place planning. Figure 6.9 shows that London would need an additional 60,000 primary school<sup>6</sup> and 104,000 secondary school<sup>7</sup> places by 2025<sup>8</sup> to meet the growth in demand.

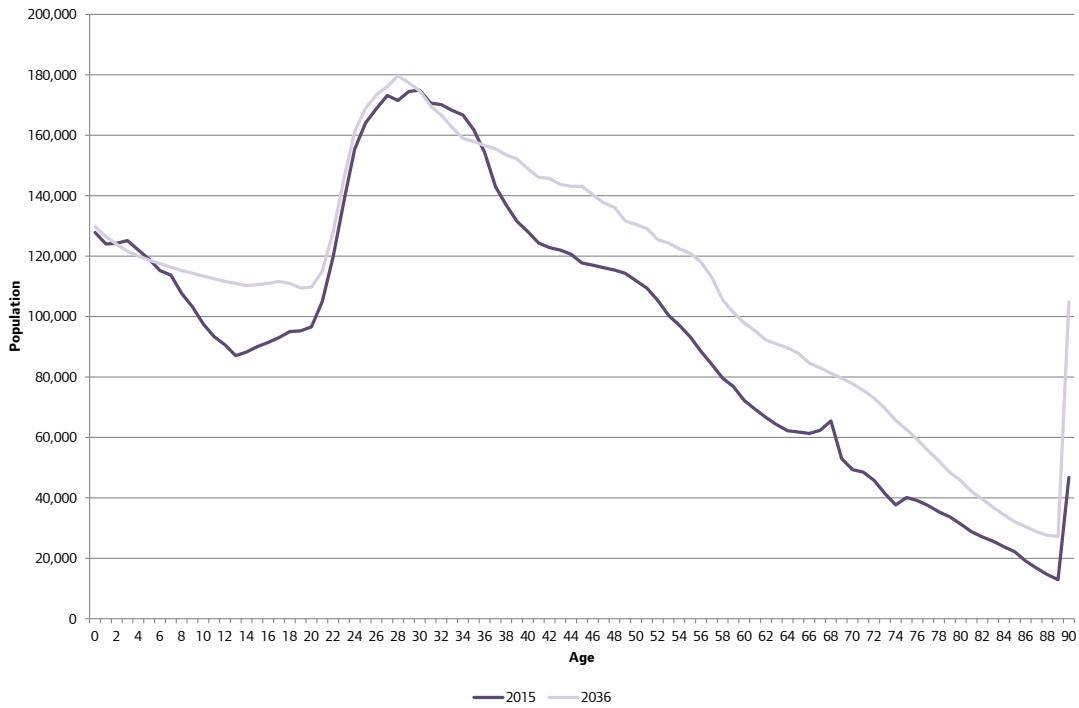
**Figure 6.9: Projected additional demand for school places, London, 2015 to 2025**



Source: GLA Pan-London school place demand model (hybrid static population variant)

London as a major employment centre attracts workers from all over the UK as well as from abroad. Approximately 5.9 million of its inhabitants are of working-age<sup>9</sup> and this number is projected to rise to 6.7 million by 2036.

**Figure 6.10: Age structure of London’s population, mid-2015 and mid-2036**



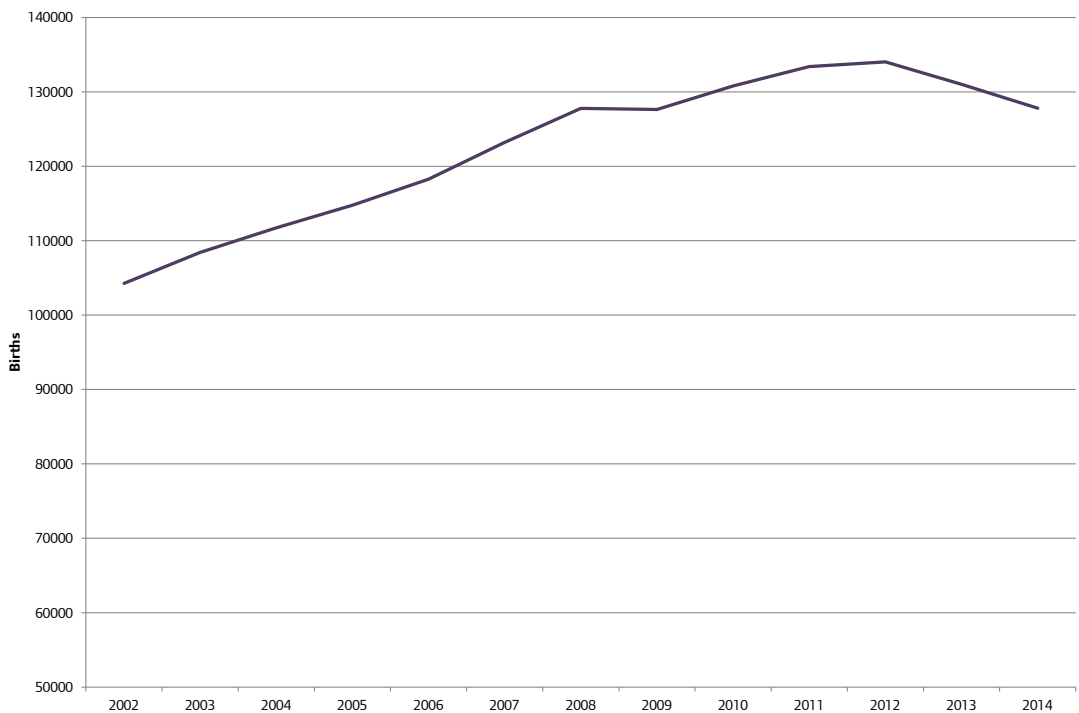
Source: GLA 2014 trend-based population projections (long-term migration scenario)

**Births**

One of the drivers in London’s recent population growth has been the considerable rise in the number of births during the 2000s and early 2010s.

In 2012, there were over 134,000 births in London, up nearly 30,000 from the number seen in 2002. Births have since fallen for two consecutive years to just below 128,000 in 2014, suggesting that the peak may be over. However, the impact will be seen for many years as these cohorts move first through the education system before entering the world of work.

**Figure 6.11: Births, London, mid-2002 to mid-2014**

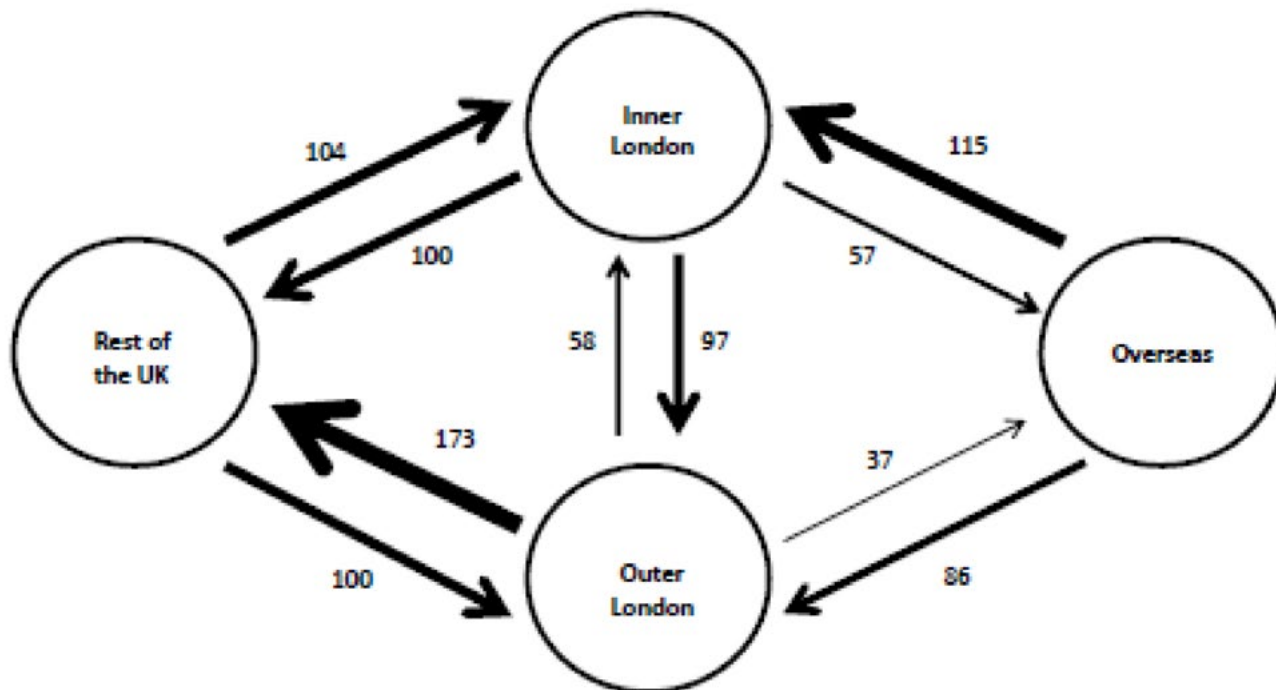


Source: ONS Mid-year population estimates

### Migration to London

Another significant component of London’s population change is migration. Figure 6.12 shows the pattern of internal and international migration flows in relation to London (split here by inner and outer London) for mid-2014. Migrants from overseas tend to go to Inner London from where internally there is a higher flow to outer London than vice versa. From Outer London, flows are higher to the rest of the UK than from the rest of the UK to either Inner or Outer London.

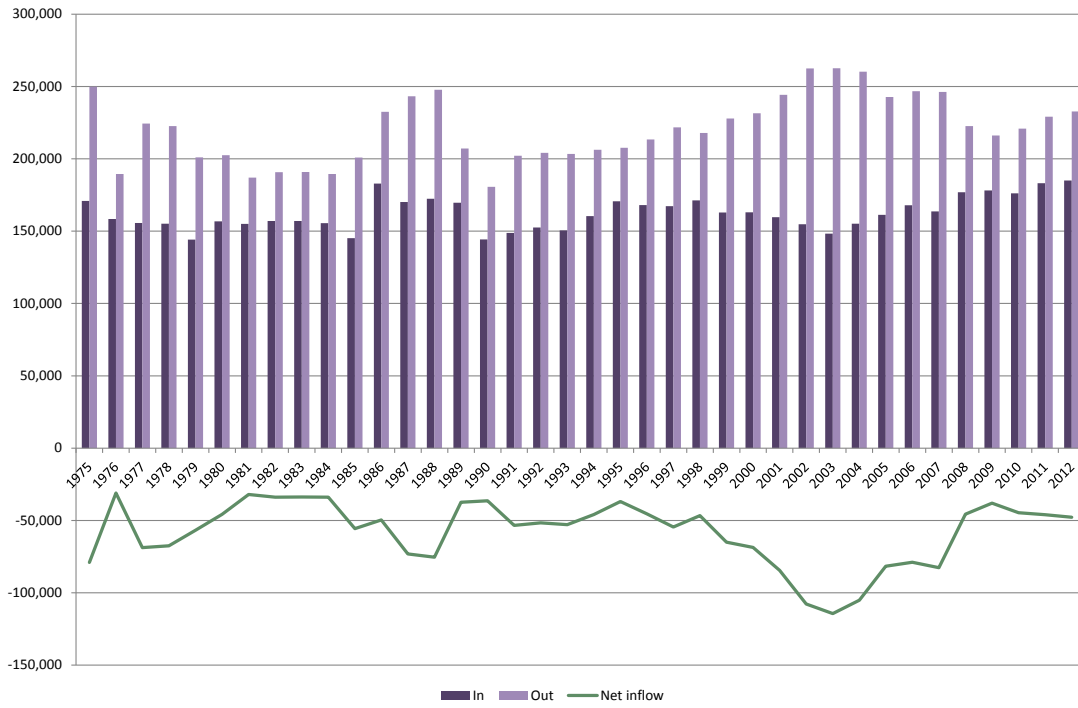
**Figure 6.12: Migration flows, mid-2014**



Source: ONS Mid-year population estimates, ONS internal migration estimates

This trend of high domestic migration flows from London to the rest of the UK has been present over the long term. In the years 1975 to 2012, domestic migration from the rest of the UK into London averaged 160,000 per annum. Over the same period, average annual outward domestic migration from London was 220,000. Thus on average over this period London lost a net 60,000 people to the rest of the UK each year.

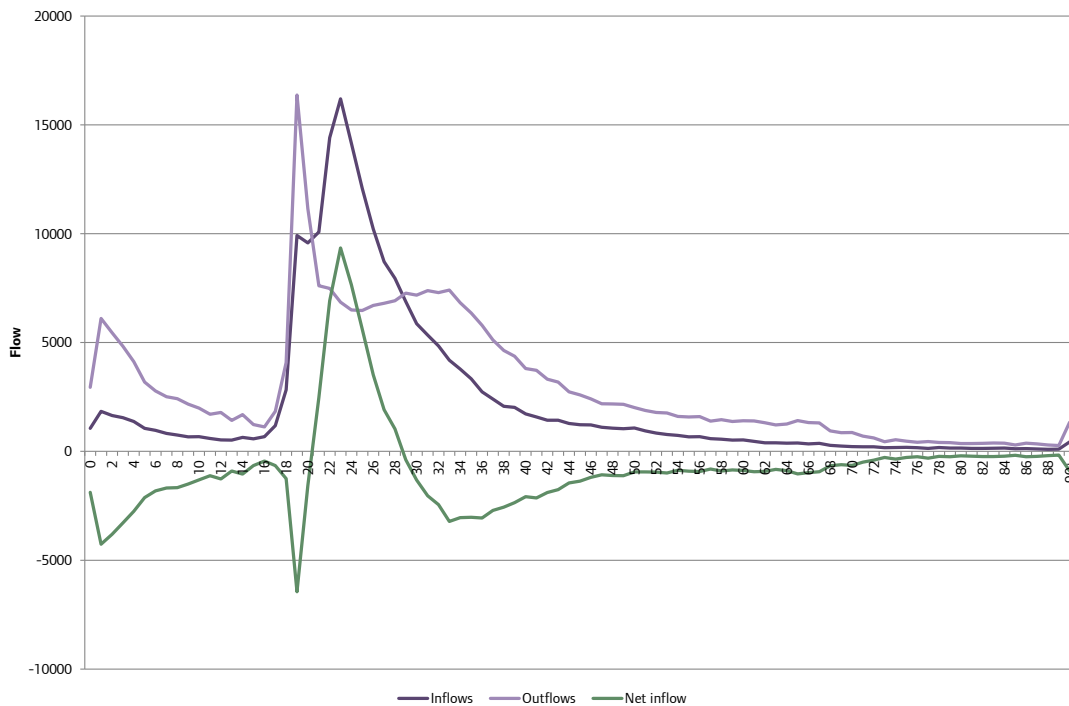
**Figure 6.13: Domestic migration into and out of London, 1975-2012**



Source: ONS

Figure 6.16 shows the age variations in London’s domestic migration flows. London attracts students and young adults from other parts of the UK and loses young children, students and those in their 30s to the rest of the UK.

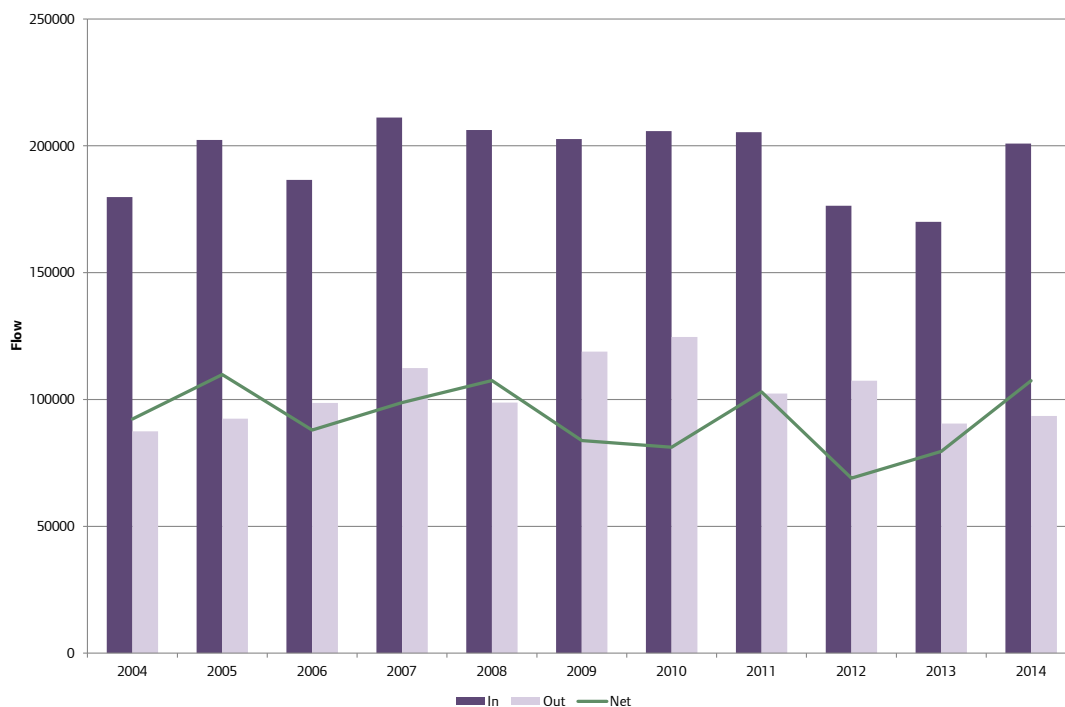
**Figure 6.14: Internal migration flows by age, London, mid-2014**



Source: ONS Internal migration estimates

The domestic population net outflow is offset by a net inflow of migrants to London from outside the UK. London attracts over 170,000 international migrants<sup>10</sup> a year and only around 100,000 people per annum leave London to move abroad. This difference – known as international net migration – is therefore positive meaning that some of London’s population growth is the result of an increase in the number of international in-migrants to the capital. In 2014, 35 per cent of international in-migrants to the UK headed to London.

**Figure 6.15: International migration, London, 2004 to 2014**

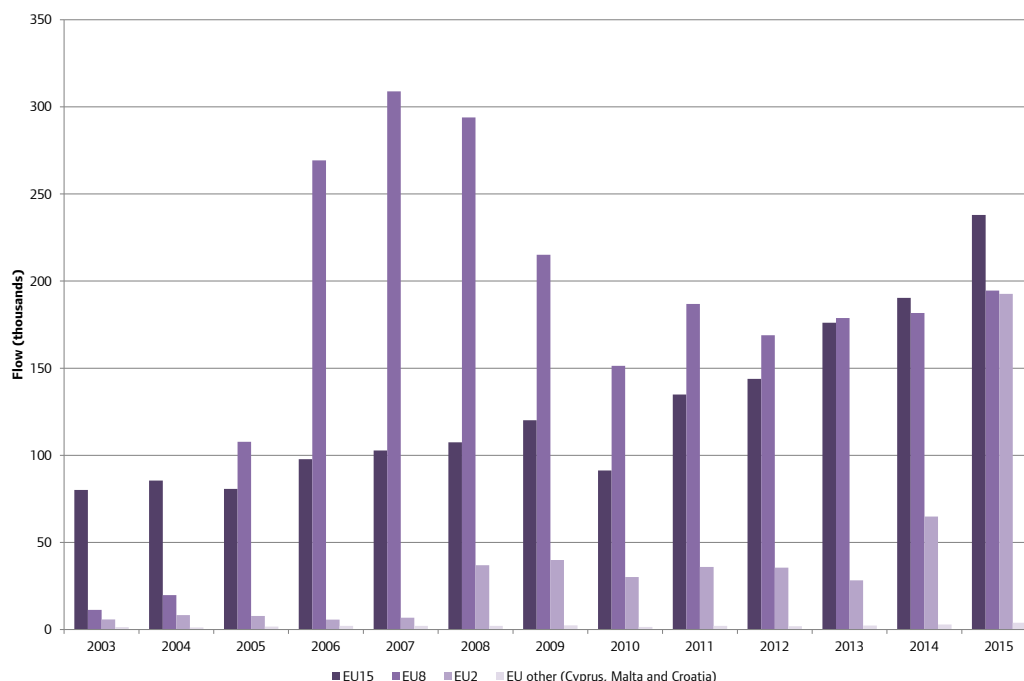


Source: ONS Local Area Migration Indicators

London’s appeal means that the city attracts people from all over the world, though particularly from other EU countries due to freedom of movement between member nations. After the enlargement of the EU in 2004 to include ten new countries<sup>11</sup>, London welcomed over 250,000 people per year between 2006 and 2008 from these new member nations<sup>12</sup>. Whilst numbers from these countries have fallen in recent years, growth of the EU to include Bulgaria and Romania in 2007<sup>13</sup> has meant that there were nearly 193,000 migrants from these two countries registering in London in 2015.

Since 2010, there has been a steady rise in the number of people from other EU15 countries migrating to London. The impacts of the global financial crisis on the economies of many EU countries have resulted in higher unemployment rates and the attraction of London as a place to work.

**Figure 6.16: International migration, London, 2004 to 2014**

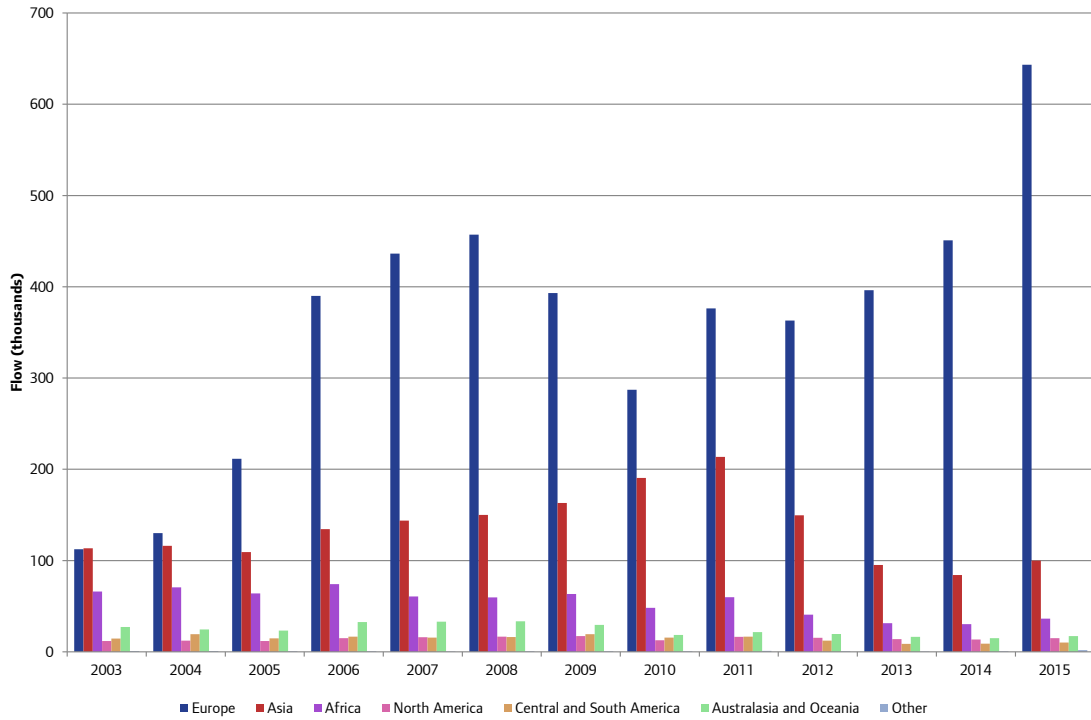


Source: Department for Work & Pensions National Insurance Number Registrations



Outside of Europe, the highest international flows are from Asia (nearly 100,000 in-migrants in 2015), although numbers have since fallen from their peak of over 213,000 in 2011.

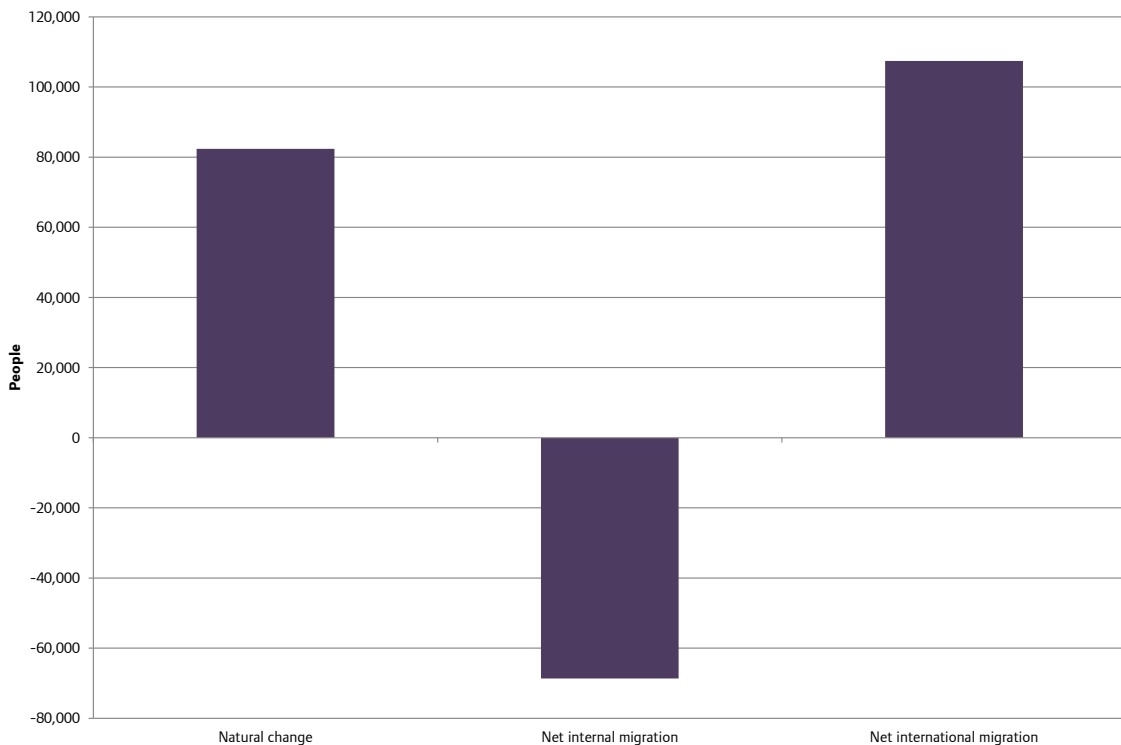
**Figure 6.17: National Insurance Number registrations, world regions, 2003-2015**



Note: Financial year data (April to March). Source: Department for Work & Pensions National Insurance Number Registrations

Bringing this all together shows that international migration contributed the most to London’s population over the last ten years, averaging 93,000 more international in-migrants to London than international out-migrants per year between 2005 and 2014. Natural change accounted for an average 78,000 more people in London per year, whereas net internal migration resulted in some 60,000 more people leaving London domestically than arriving per year.

**Figure 6.18: Components of change, London, 10 year average (2005 - 2014)**



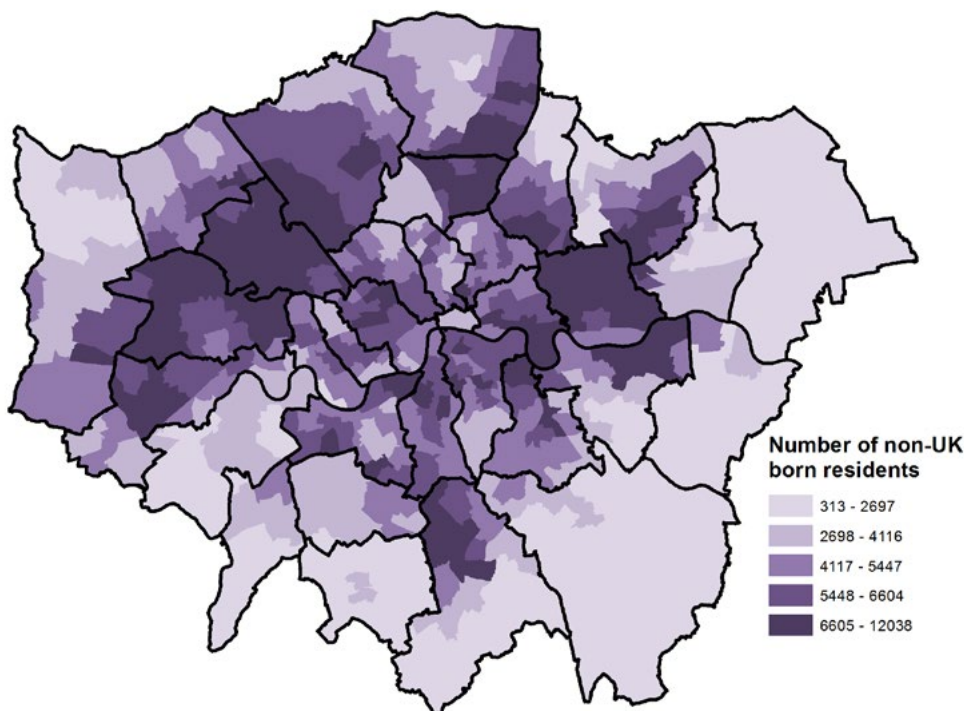
Source: ONS Mid-year population estimates

## Country of Birth

London's high international inflow means it has become something of a hub for foreign-born communities. Approximately 3.1 million people living in London were born abroad (37 per cent of the total population)<sup>14</sup>.

In 2011, the Census counted that just under half (49 per cent) of London's foreign born population had arrived in the UK in the previous ten years. This means that one-in-six Londoners had arrived in the UK since 2001.

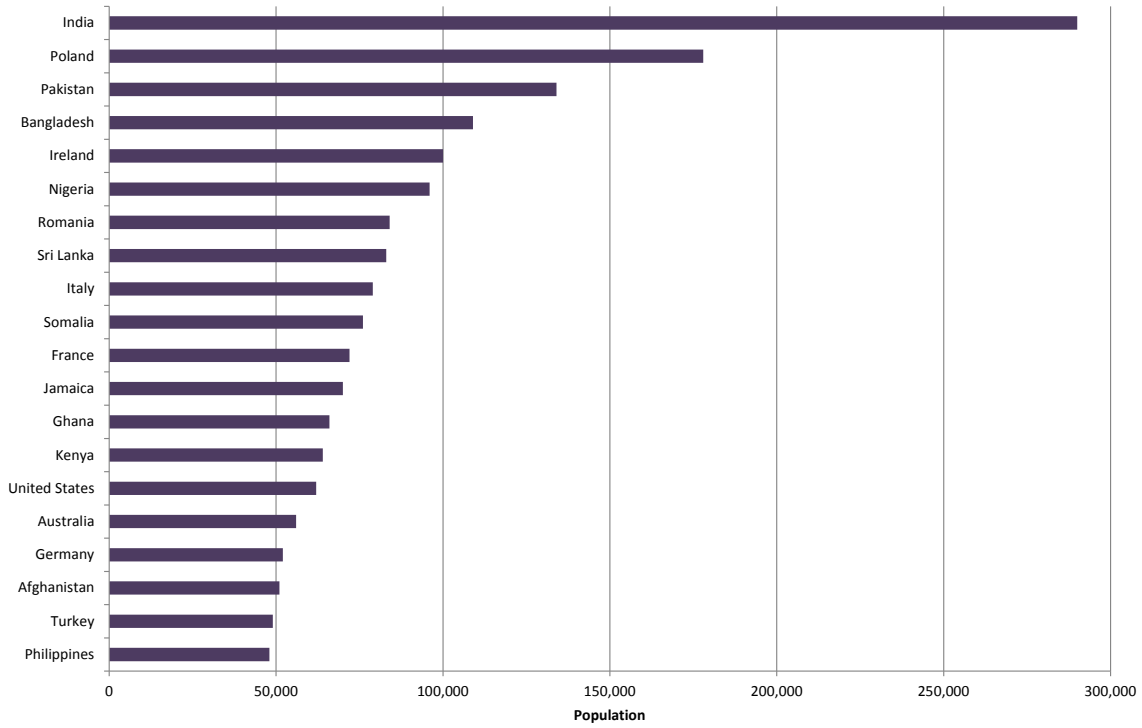
**Map 6.3: Distribution of foreign born residents across Greater London wards, 2011**



Source: ONS Census 2011

London's foreign born population is so diverse that it is worth separating into individual countries of origin. The top non-UK country of birth was India with 290,000 residents. Poland, Pakistan, Bangladesh and Ireland also had over 100,000 residents each living in London.

**Figure 6.19: Largest foreign born populations living in London, 2014**



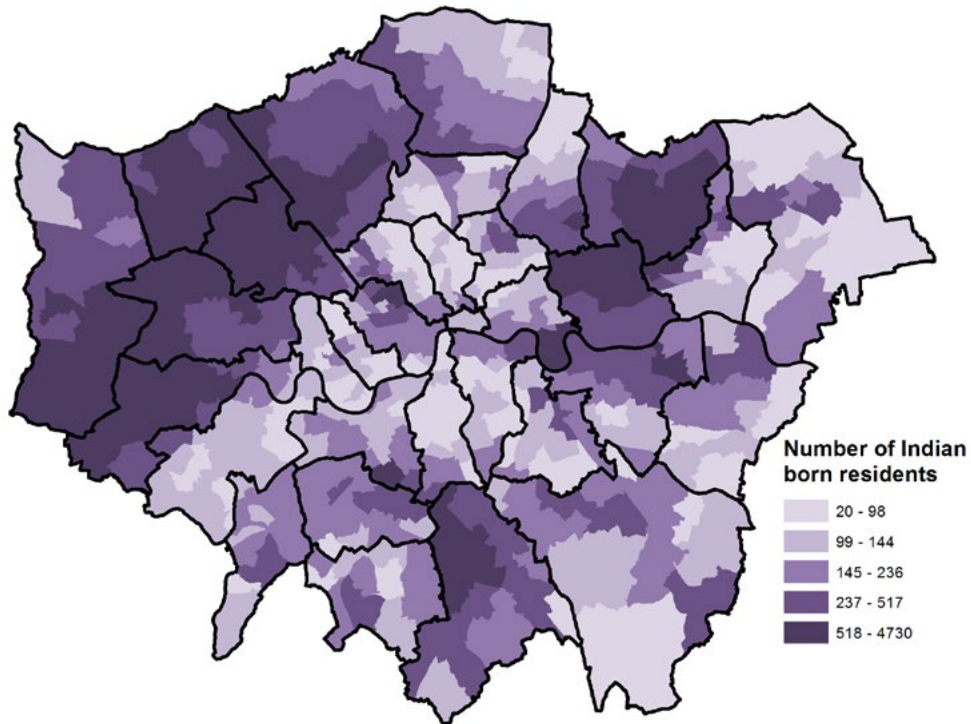
Source: ONS Annual Population Survey

The following three nationalities will provide an idea of how characteristics vary between different migrant communities.

*Born in India*

The most highly concentrated Indian areas were in west and north-east London.

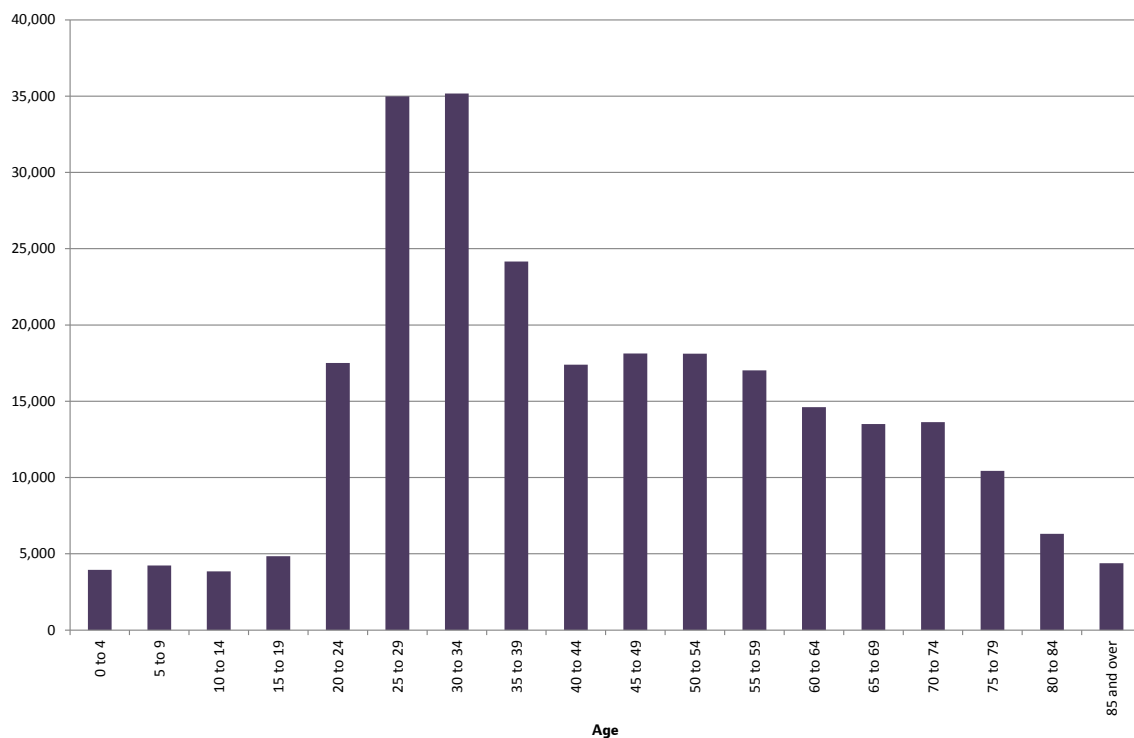
**Map 6.4: Distribution of Indian born residents across Greater London wards, 2011**



Source: ONS Census 2011

The Indian born population is ageing, with 18 per cent aged 65 and over.

**Figure 6.20: Age structure of Indian born residents in London, 2011**



Source: ONS Census 2011

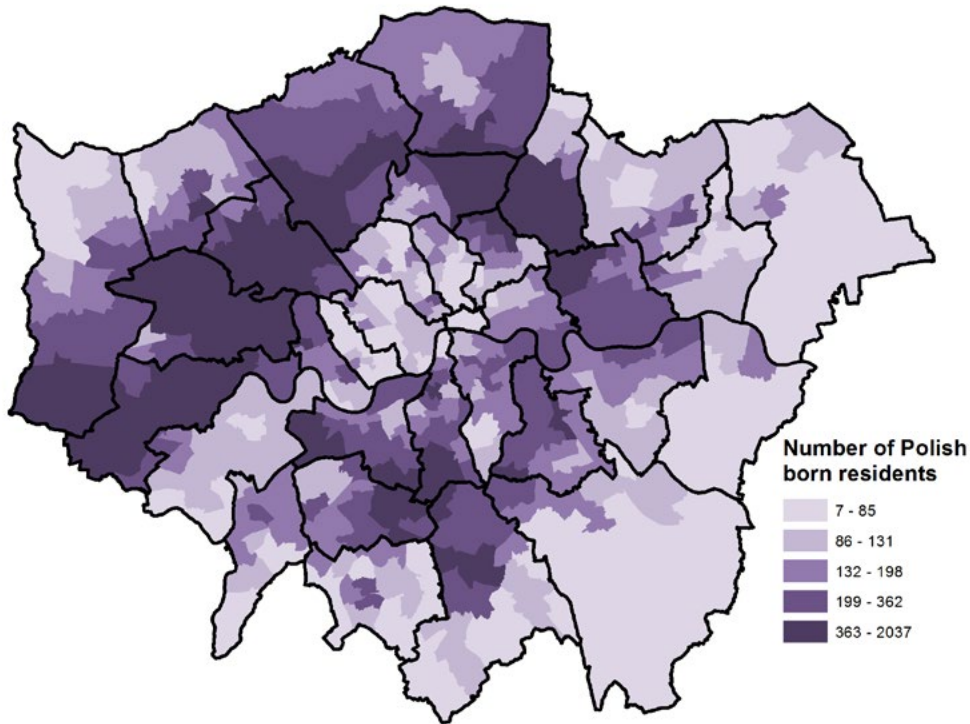
**More characteristics:**

- Around half arrived in the UK before 2000 with the other half arriving between 2001 and 2011.
- In 2011, 70 per cent of men and 59 per cent of women were in work.
- Top occupations:
  - \* Men: Science and Research professionals (11 per cent), Elementary admin (11 per cent), Managers and directors (9 per cent)
  - \* Women: Admin (13 per cent), Elementary admin (11 per cent), Sales (11 per cent)

*Born in Poland*

There were approximately 178,000 Polish born Londoners in 2014. The highly concentrated Polish areas form a ring around the central London boroughs.

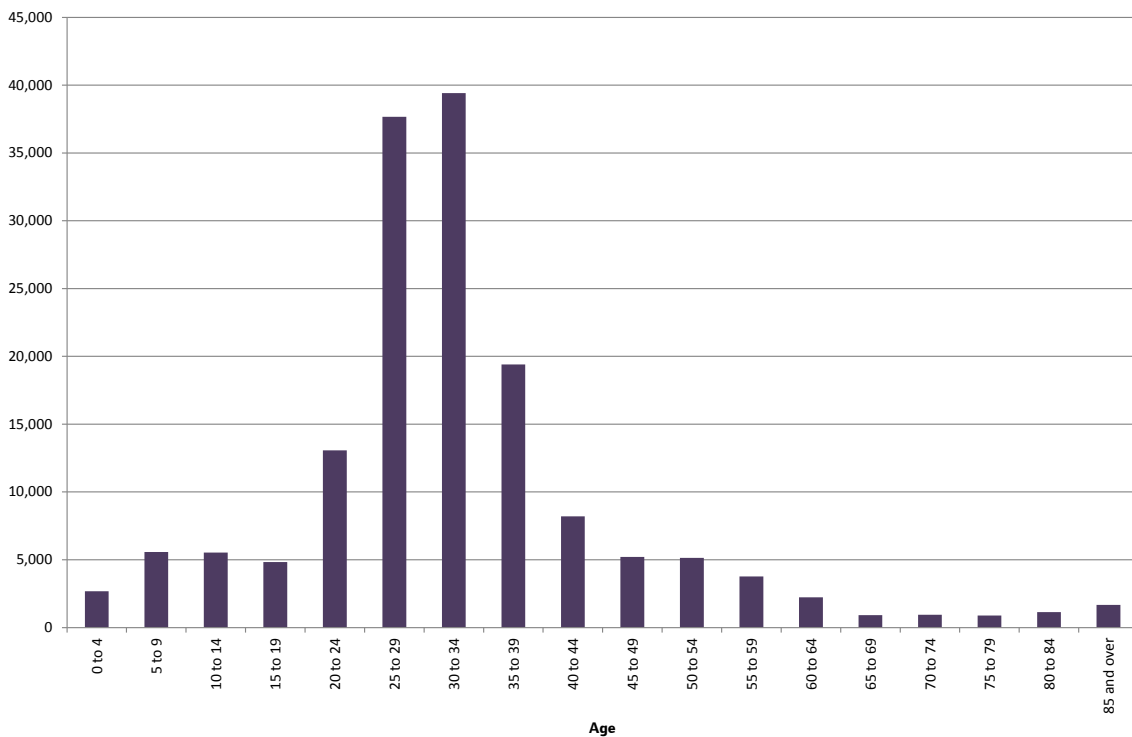
**Map 6.5: Distribution of Polish born residents across Greater London wards, 2011**



Source: ONS Census 2011

The majority (69 per cent) of the population were aged between 20 and 39 years old, while just 4 per cent were aged 65 or over.

**Figure 6.21: Age structure of Polish born residents in London, 2011**



Source: ONS Census 2011

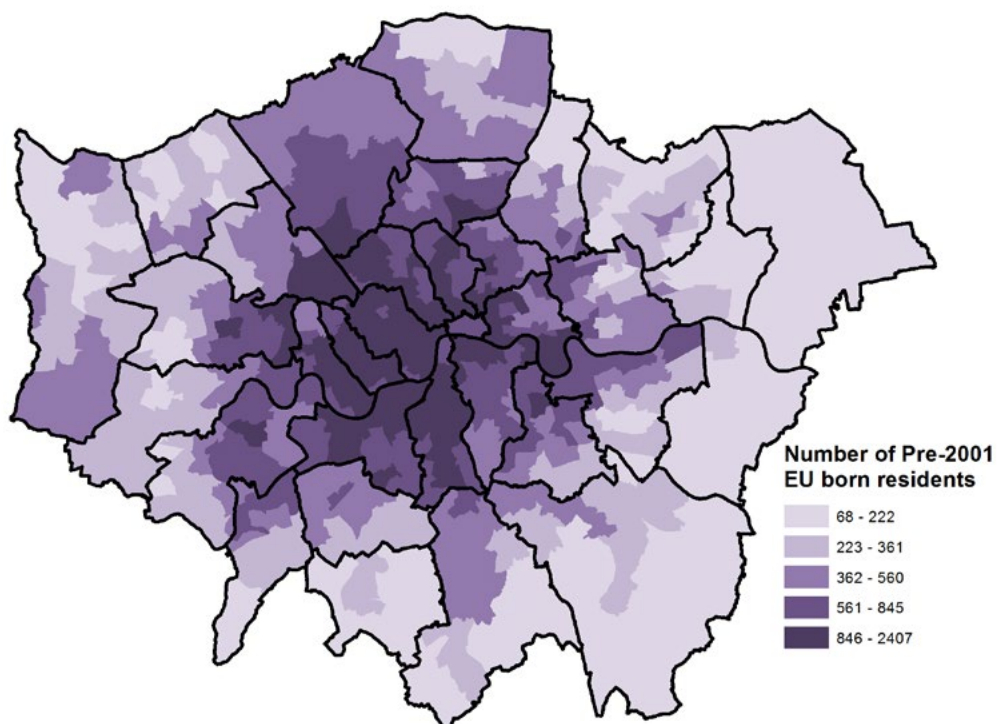
**More characteristics:**

- The majority (86 per cent) arrived in the UK between 2001 and 2011.
- One-in-four of those arriving since 2001 could not speak English well. Despite this, employment rates were high with 82 per cent of men and 77 per cent of women in work at the time of the Census.
- Top occupations:
  - \* Men: Skilled construction trade (32 per cent), Elementary admin (11 per cent), Transport and machine operatives (8 per cent)
  - \* Women: Elementary admin (30 per cent), Admin (8 per cent), Caring personal service (8 per cent)

*EU Member Countries in 2001*

This group consisted of people born in any country that was a member of the EU in 2001<sup>15</sup>. There were 370,000 pre-2001 EU born Londoners in 2014 with the majority living in inner London.

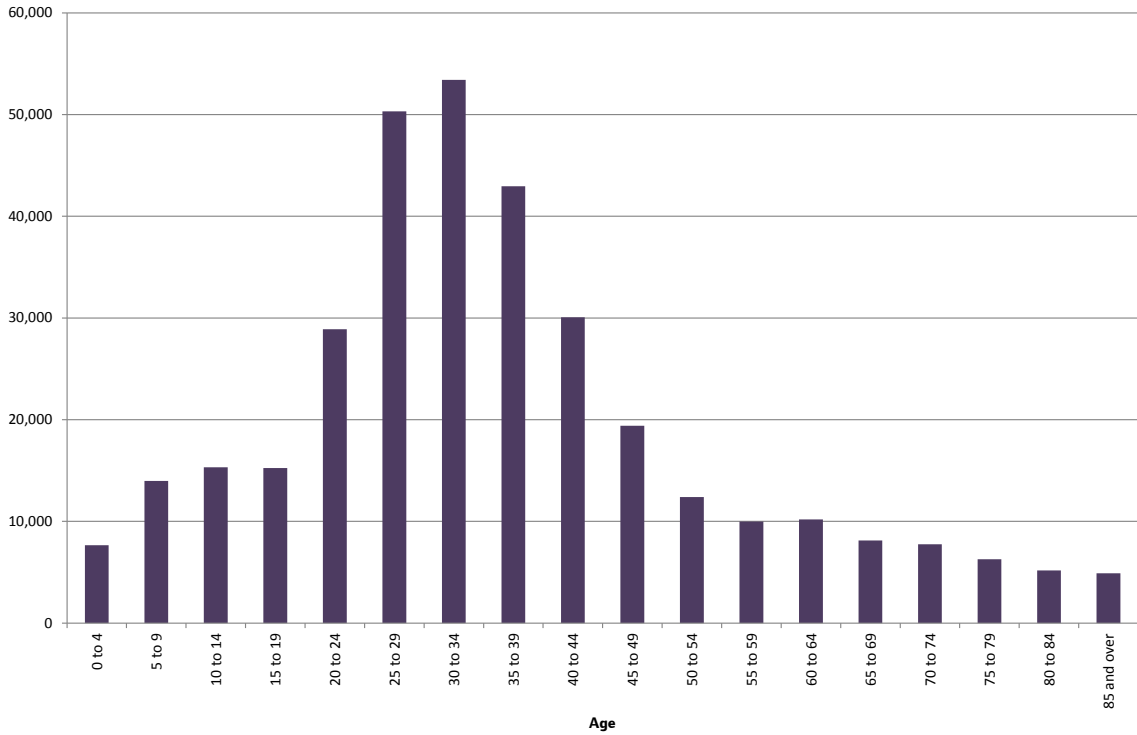
**Map 6.6: Distribution of pre-2001 EU born residents across Greater London wards, 2011**



Source: ONS Census 2011

This population consisted predominantly of younger working age persons.

**Figure 6.22: Age structure of Pre-2001 EU born residents in London, 2011**



Source: ONS Census 2011

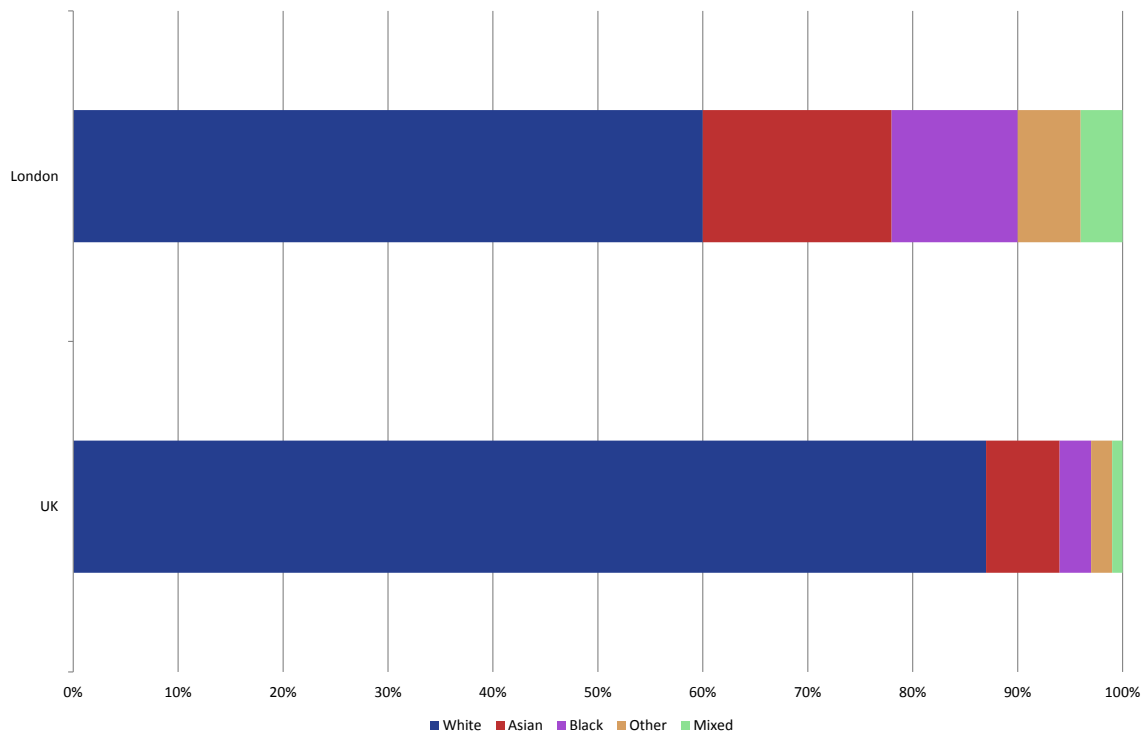
**More characteristics:**

- Over half (58 per cent) arrived between 2001 and 2011.
- In 2011, 74 per cent of men and 70 per cent of women were in work.
- This is a highly skilled group with nearly half (48 per cent) having Level 4 qualifications or above<sup>16</sup>. By way of comparison the London average was 38 per cent.
- Top occupations
  - \* Men: Business & public service professionals (12 per cent), Managers / Directors (12 per cent)
  - \* Women: Elementary admin (14 per cent), business & public service professionals (10 per cent)

**Ethnicity**

All of the above has made London a city renowned for its diversity. Some 40 per cent of its residents perceived themselves as Black, Asian, Mixed or another non-White ethnicity. By way of comparison, the figure for the UK as a whole was 13 per cent.

**Figure 6.23: Residents by ethnic group, 2014**



Source: ONS Annual Population Survey

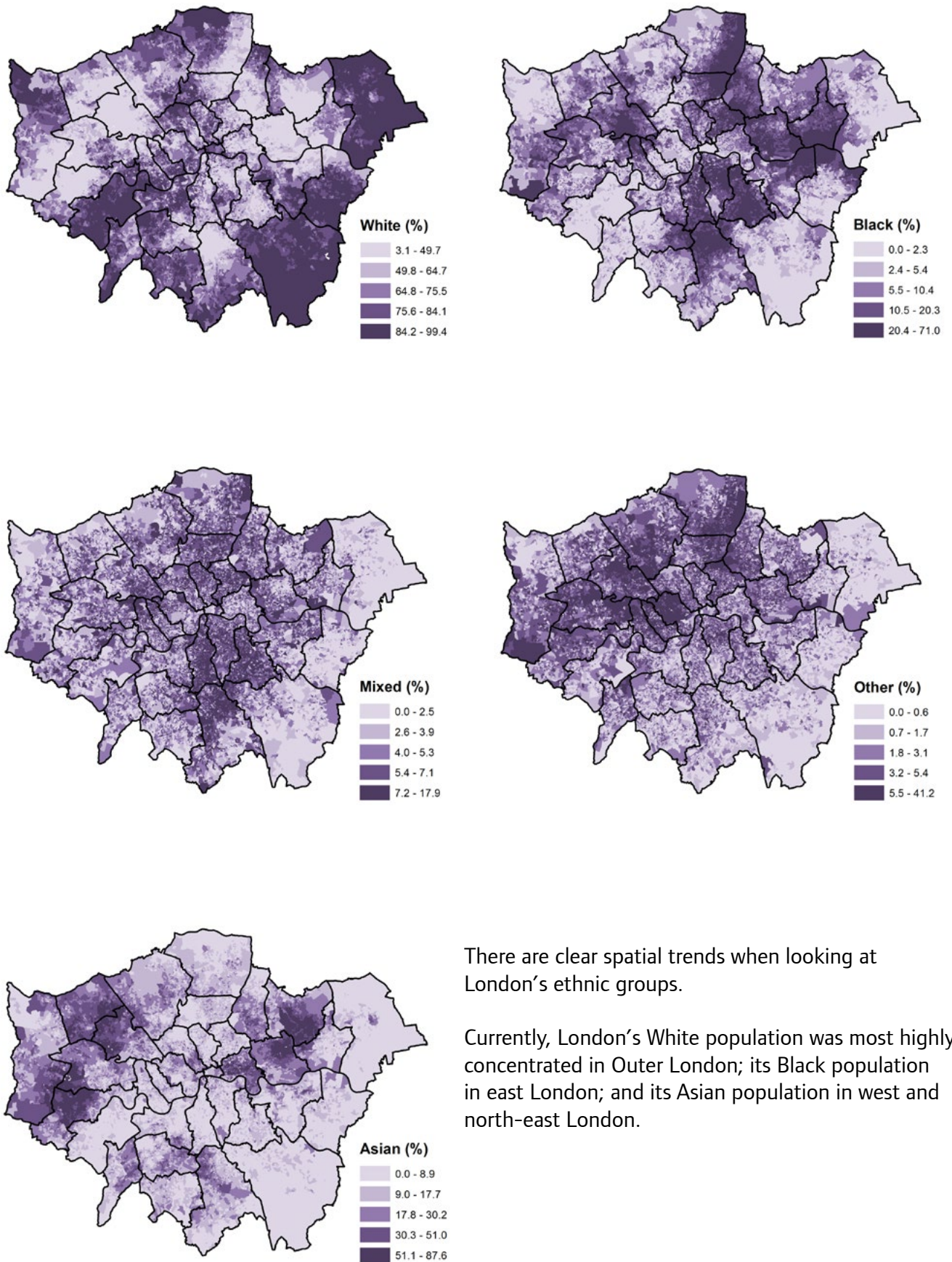


**Table 6.2: Ethnicity by borough, 2011**

Area	White	Mixed	Asian	Black	Other
Barking and Dagenham	58%	4%	16%	20%	2%
Barnet	64%	5%	18%	8%	5%
Bexley	82%	2%	7%	8%	1%
Brent	36%	5%	34%	19%	6%
Bromley	84%	4%	5%	6%	1%
Camden	66%	6%	16%	8%	4%
City of London	79%	4%	13%	3%	2%
Croydon	55%	7%	16%	20%	2%
Ealing	49%	4%	30%	11%	6%
Enfield	61%	5%	11%	17%	5%
Greenwich	62%	5%	12%	19%	2%
Hackney	55%	6%	11%	23%	5%
Hammersmith and Fulham	68%	6%	9%	12%	6%
Haringey	61%	6%	9%	19%	5%
Harrow	42%	4%	43%	8%	3%
Havering	88%	2%	5%	5%	1%
Hillingdon	61%	4%	25%	7%	3%
Hounslow	51%	4%	34%	7%	4%
Islington	68%	6%	9%	13%	3%
Kensington and Chelsea	71%	6%	10%	7%	7%
Kingston upon Thames	74%	4%	16%	3%	3%
Lambeth	57%	8%	7%	26%	2%
Lewisham	54%	7%	9%	27%	3%
Merton	65%	5%	18%	10%	2%
Newham	29%	5%	43%	20%	3%
Redbridge	43%	4%	42%	9%	3%
Richmond upon Thames	86%	4%	7%	2%	2%
Southwark	54%	6%	9%	27%	3%
Sutton	79%	4%	12%	5%	1%
Tower Hamlets	45%	4%	41%	7%	2%
Waltham Forest	52%	5%	21%	17%	4%
Wandsworth	71%	5%	11%	11%	2%
Westminster	62%	5%	15%	8%	11%
Inner London	57%	6%	16%	17%	4%
Outer London	61%	4%	20%	11%	3%
London	60%	5%	18%	13%	3%

Source: ONS Census 2011

Map 7: Distribution of ethnic groups across Greater London, 2011



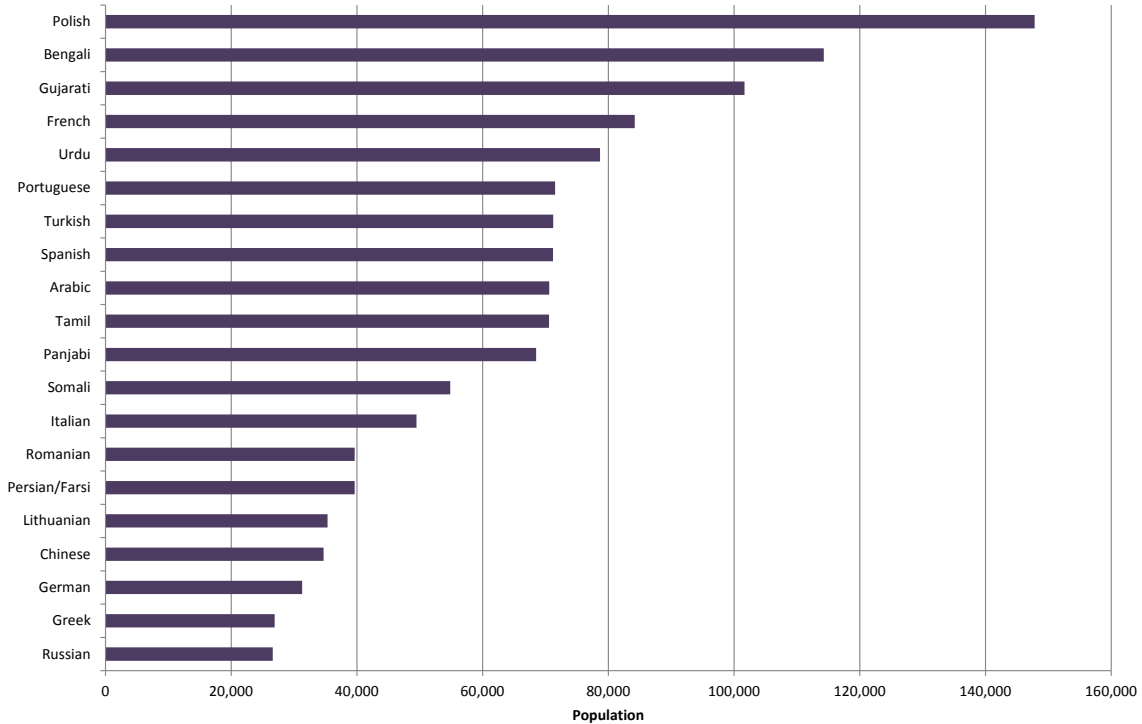
There are clear spatial trends when looking at London's ethnic groups.

Currently, London's White population was most highly concentrated in Outer London; its Black population in east London; and its Asian population in west and north-east London.

## Language

In London, 1.73 million (or 22 per cent) residents listed a language other than English as their main language. The most common non-English main language was Polish with 148,000 speakers while Bengali, Gujarati, French and Urdu make up the other top five languages.

**Figure 6.24: Most spoken (non-English) main languages in London, 2011**



Source: ONS Census 2011

The 2011 Census counted that one-in-ten (some 300,000) of London’s foreign born population cannot speak English well or at all. An additional 20,000 UK born Londoners also faced this problem meaning 320,000 or 4 per cent of London’s population cannot speak English well or at all.

## Impact of migration

There is some debate as to the impact of migration on the UK. The main points focus around the labour market, businesses, the Exchequer and local services including housing and schools. This section brings together existing evidence and research on the matter.

One of the key parts of the discussion is focussed on the labour market and whether migration impacts the employment of existing UK workers. Economic theory suggests that wages would adjust to an increase in labour supply in the long-term meaning that everyone that wants to work can find a job. Indeed, there is evidence of falling real earnings coinciding with an increase in migration to London between 1995 and 2000<sup>17</sup>.

Consequently, the concern about migrant labour could instead be focussed around the welfare of existing UK workers in terms of the resulting lower wages. Whilst there are labour market policies – such as the national minimum wage – that would limit the extent to which earnings could fall, the effects could proportionately be larger for those in low pay jobs. For example, research by the Home Office and the Department for Business, Innovation and Skills (BIS) suggested that migrants were more likely to displace existing UK workers who were low skilled and, typically, low paid<sup>18</sup>.

Another point in the debate is the impact of migrant workers on businesses. However, further BIS research found that businesses interviewed held a broadly positive view of the impact of migrant employees<sup>19</sup>. Firms noted that migrant workers typically brought more knowledge and skills than would otherwise have been the case from a domestic worker. Moreover, due to cultural differences, migrants bring new ideas and processes

that can lead to the upskilling of colleagues and increase productivity. On the opposing side, however, businesses reported challenges associated with integration and language.

The debate on how immigration impacts the Exchequer is focussed on the difference between the taxes and other contributions they make to public finances and the costs of benefit payments and public services that they receive. The Migration Observatory summarised existing literature of the fiscal impact of migration and concluded that the effect is small, but can be either positive or negative and vary among different groups<sup>20</sup>. For example, skilled migrants in highly-paid jobs are likely to have more of a positive effect than low skilled individuals. A separate study by the OECD found similar conclusions in that the overall fiscal impact is small<sup>21</sup>.

A related point is whether migration has an effect on local services such as the availability of healthcare, schools or housing for example. Looking at housing, there is little evidence to inform on whether this impact is positive or negative or the magnitude of this effect. Economic theory would suggest that an increase in demand for housing, for example, would result in higher house prices and rents, though the overall effect will partly be dependent on the responsiveness of housing supply. The Migration Observatory noted that there was more, but still limited evidence on social housing. This showed that while migrants are less likely than the native UK population to be accommodated in social housing the probability of migrants living in social housing increases over time<sup>22</sup>.

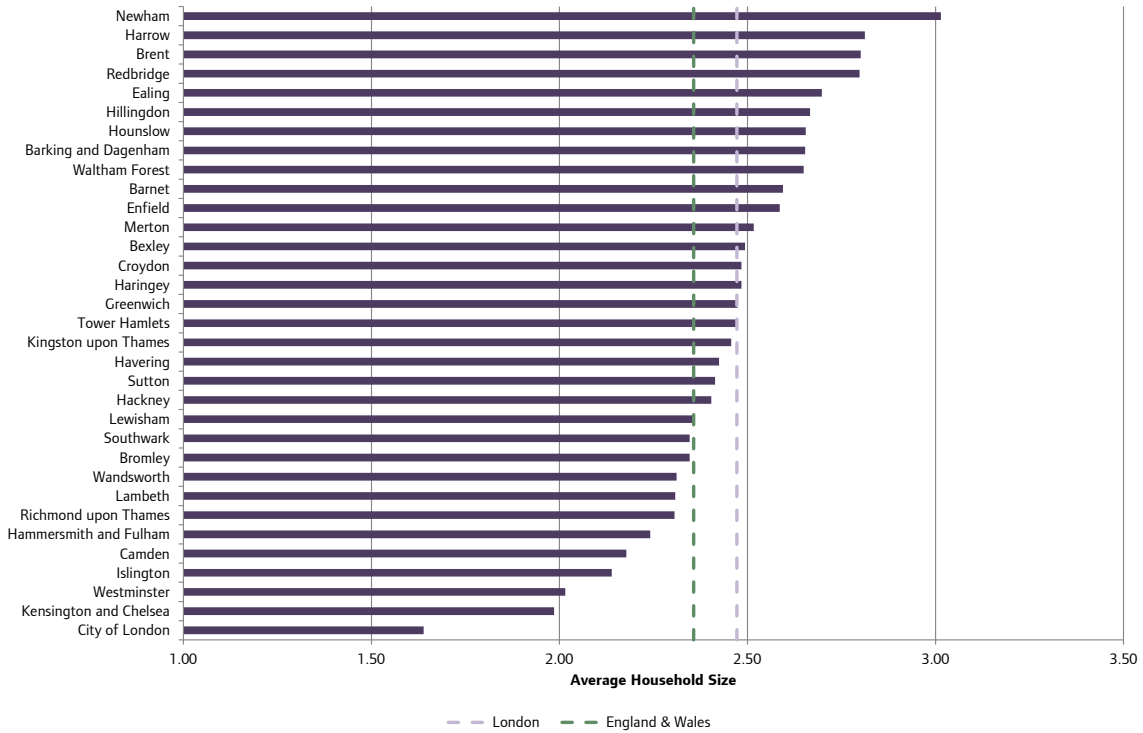
## Households

The vast majority of Londoners lived in private households – 8.07 million of the total of 8.17 million residents counted at the time of the 2011 Census lived in 3.3 million households, equivalent to 99 per cent of the population. The remaining 1 per cent of Londoners lived in communal establishments<sup>23</sup>.

The average household size for London was 2.47 in 2011, up from around 2.40 in 2001. That was the largest of any region in England & Wales, with the national average at 2.36. However, London is a city of contrasts and includes the local authorities with both the lowest and highest average household sizes.

The City of London and Kensington & Chelsea were the only two authorities in England and Wales where there were fewer than two residents per household on average (1.64 and 1.99 respectively), while Westminster sat just above at 2.02. At the other end of the scale, Newham was the only local authority where the average was greater than three residents per household at 3.01.

**Figure 6.25: Average household size, 2011**

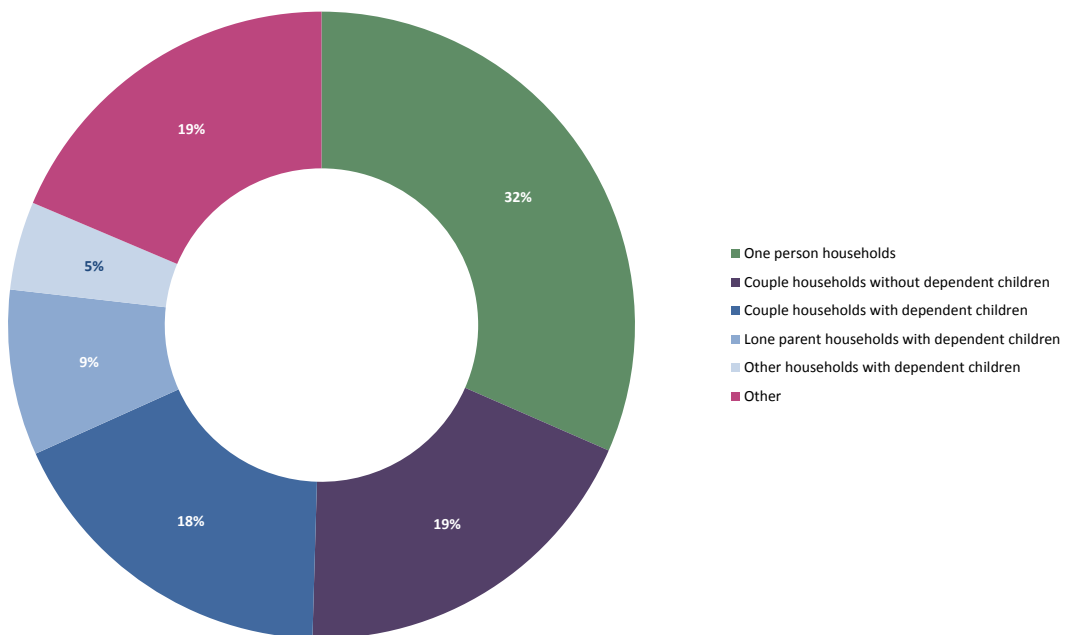


Source: ONS Census 2011 Household Composition

**Household composition**

Approximately one-in-three households in London (32 per cent) were made up of just one person while 37 per cent were couple households. The proportion of one person households was similar to the national average (30 per cent). However, by age, only 30 per cent of those living alone in London were aged 65 or over compared to the national figure of 40 per cent.

**Figure 6.26: Composition of London households, 2011**

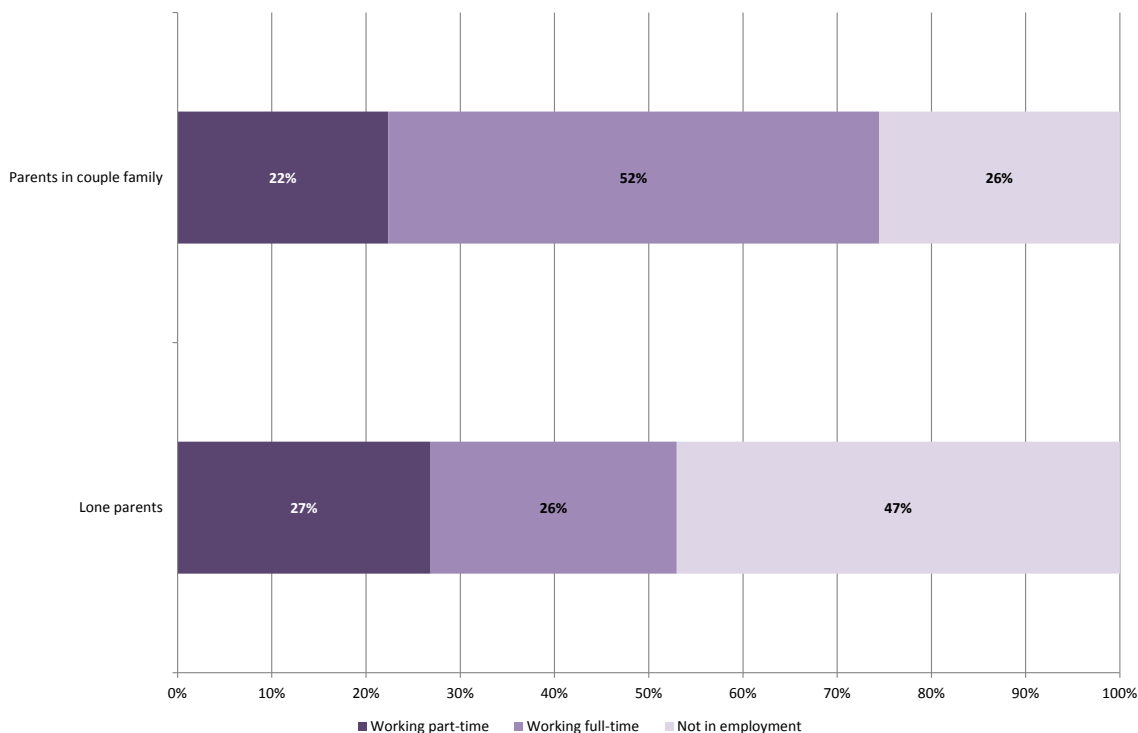


Source: ONS Census 2011

Some 31 per cent of households contained at least one dependent child. Moreover, 74 per cent of parents in couple families were working compared to 53 per cent of lone parents. The national figures were 80 per cent for couple families and 59 per cent for lone parents.

Not only were lone parent less likely to be in employment than parents in a couple, but they were less likely to work full-time. For example, 49 per cent of lone parents in employment worked full-time compared to 70 per cent of parents in couple families.

**Figure 6.27: Economic activity of parents by family type, 2011**

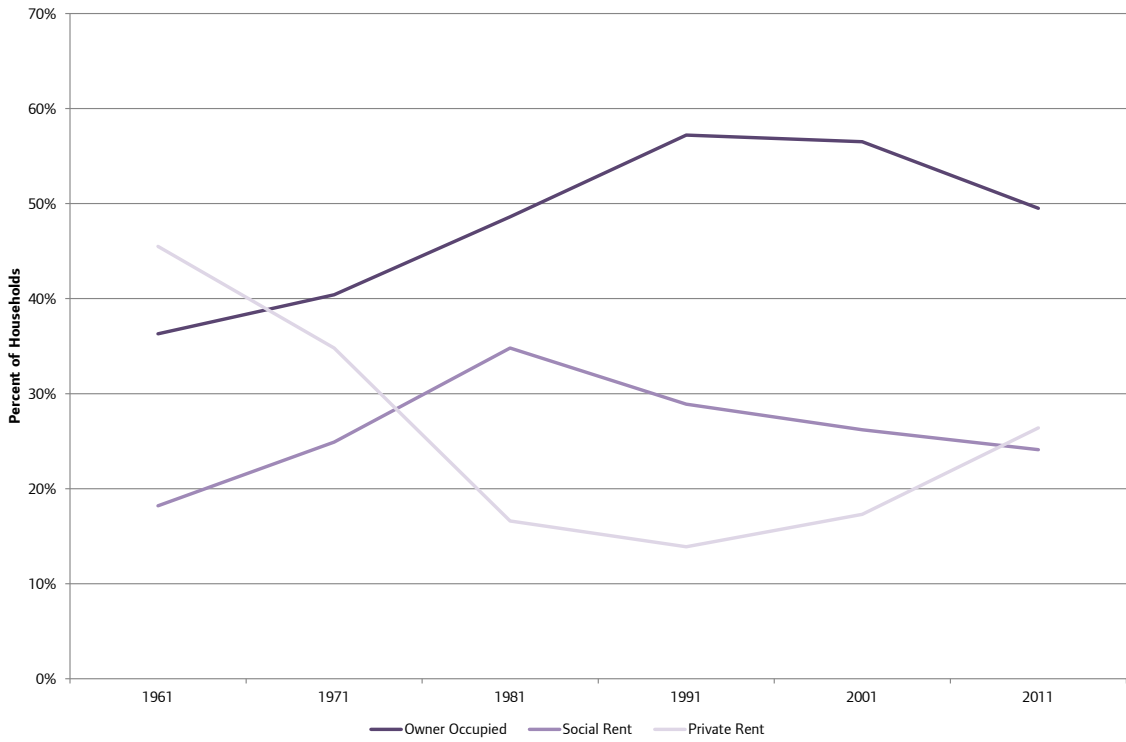


Source: ONS Census 2011 Tenure

### Tenure

Between 1961 and 1981, both owner occupation and social renting were in the ascendency. Because of this, by 1981, private renting was the least common form of housing tenure with just 15 per cent of households in London in private rent. However, since then, the social rented sector has been shrinking while the private rented sector has had a recent resurgence and, in 2011, overtook social rented as the second most common tenure in London.

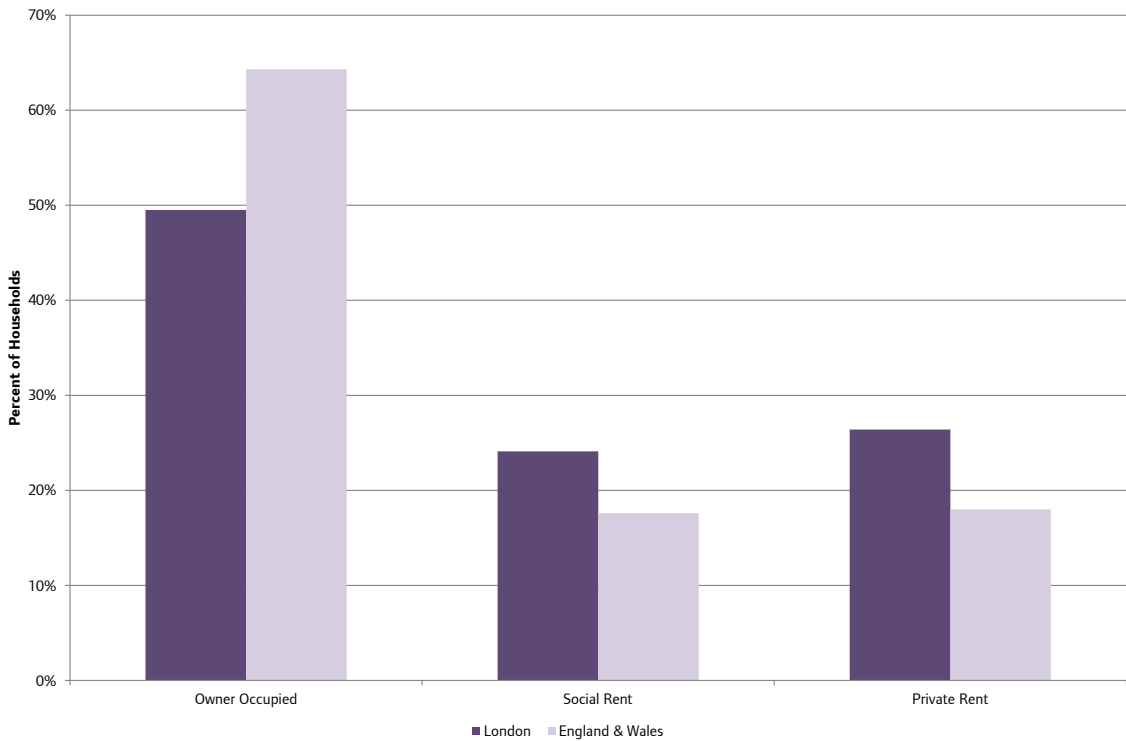
**Figure 6.28: Housing tenure in London, 1961-2011**



ONS Census 1961-2011

Comparing London’s most recent Census figures to the national average, owner occupation was much less common in the capital with a higher proportion renting their accommodation instead.

**Figure 6.29: Housing tenure in London and England & Wales, 2011**



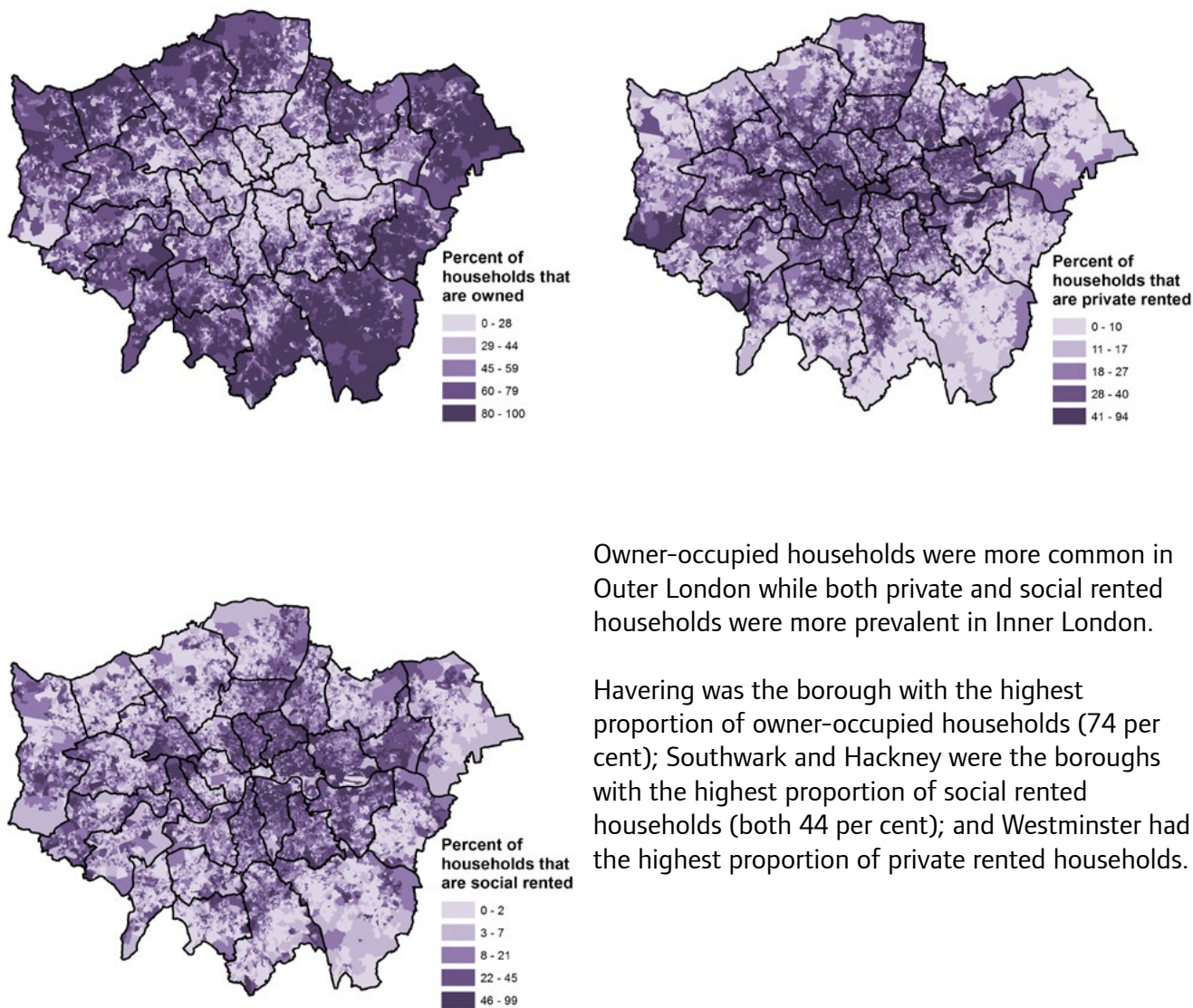
Source: ONS Census 2011

**Table 6.3: Housing tenure in London and England & Wales, 2011**

Area	Total Households	Owner Occupied		Social Rent		Private Rent	
		Number	Percentage	Number	Percentage	Number	Percentage
London	3,266,173	1,618,315	50%	785,993	24%	861,865	26%
England & Wales	23,366,044	15,031,914	64%	4,118,461	18%	4,215,669	18%

Source: ONS 2011 Census

**Map 6.8: Variations in tenure of households across Greater London, 2011**



Owner-occupied households were more common in Outer London while both private and social rented households were more prevalent in Inner London.

Havering was the borough with the highest proportion of owner-occupied households (74 per cent); Southwark and Hackney were the boroughs with the highest proportion of social rented households (both 44 per cent); and Westminster had the highest proportion of private rented households.

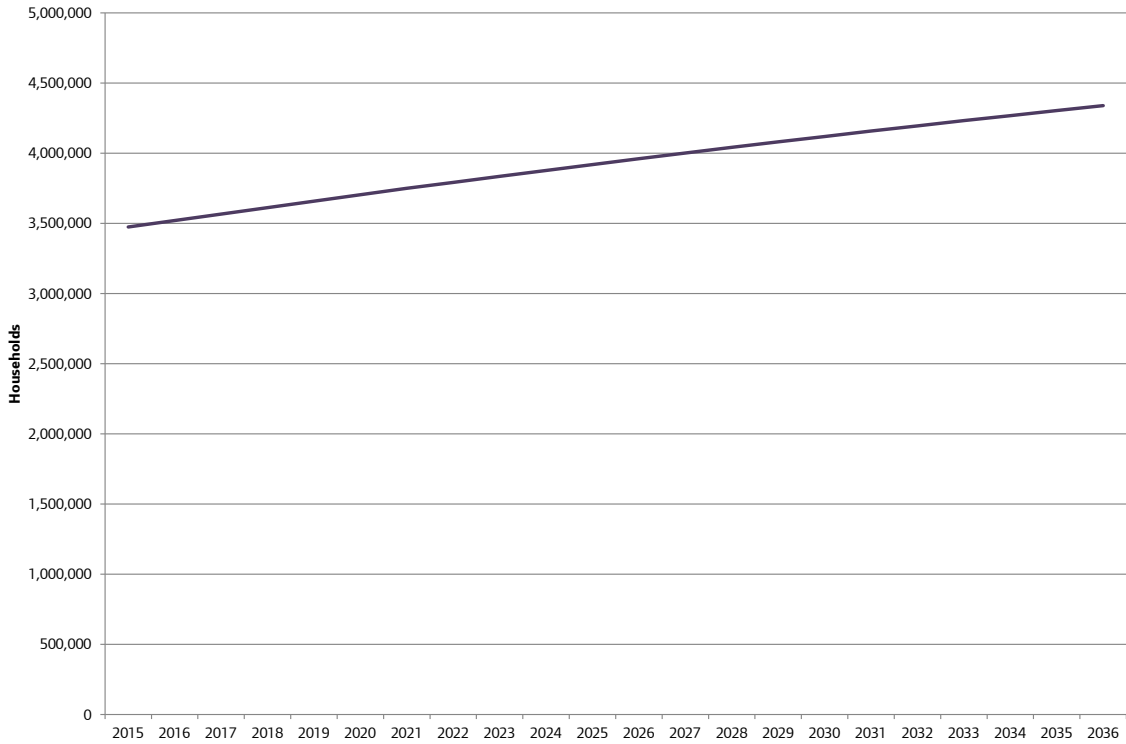
Source: ONS 2011 Census



### Household Projections

London’s number of total households is projected to grow by 25 per cent between 2015 and 2036. This would mean 856,000 more households in the capital bringing the total to 4.3 million by 2036.

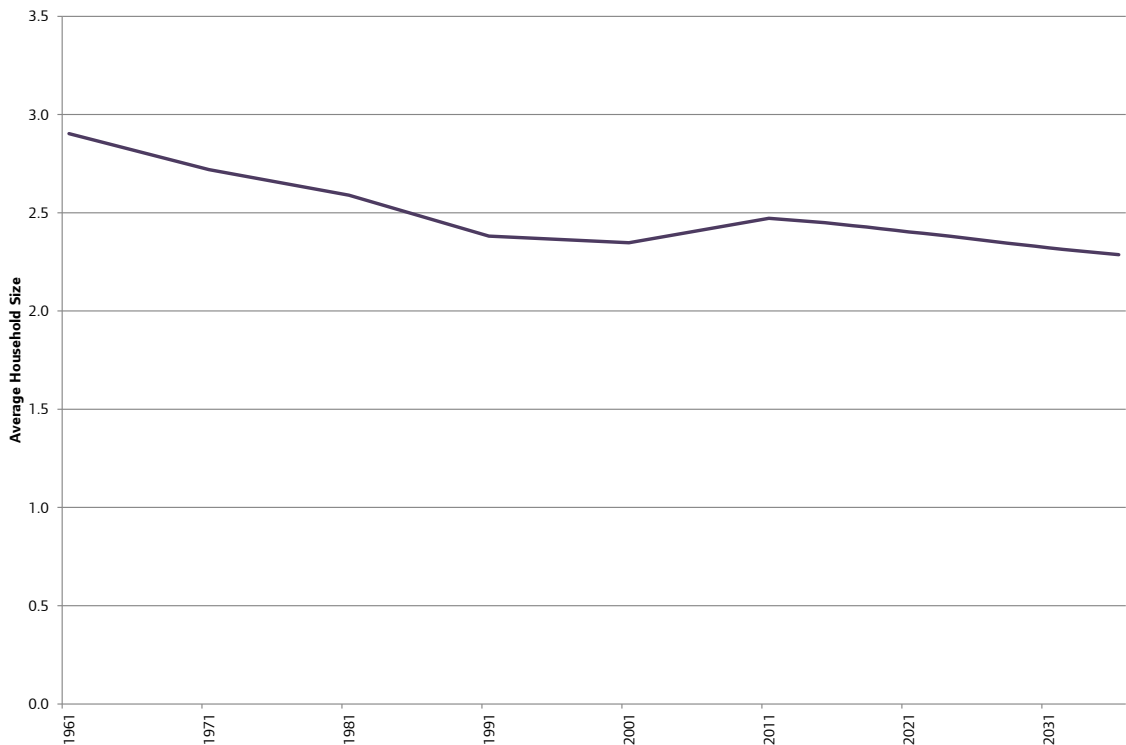
**Figure 6.30: Total projected households, London, mid-2015 to mid-2036**



Source: GLA 2014 round trend-based household projections (long-term migration scenario)

The projected increase in household numbers in London is partly due to decreasing average household size. By 2036, it is projected that the average household in London will consist of 2.29 people falling from the 2015 projection of 2.45.

**Figure 6.31: Projected average household size, London, 1961 to 2036**

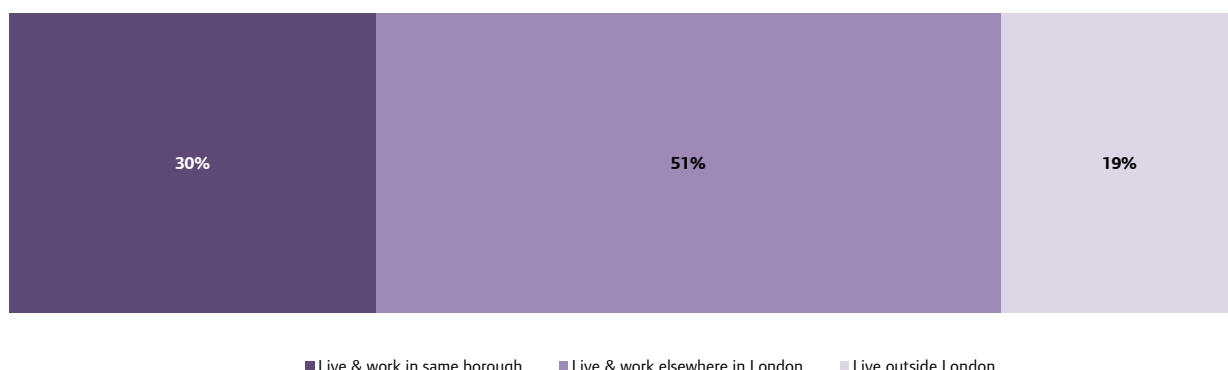


Source: GLA 2014 round trend-based household projections (long-term migration scenario)

## Commuters

While 8.7 million lived in London, London’s workday population grows by an additional half a million as commuters flood into work. In fact, one-in-six people working in London actually lived outside of its boundaries.

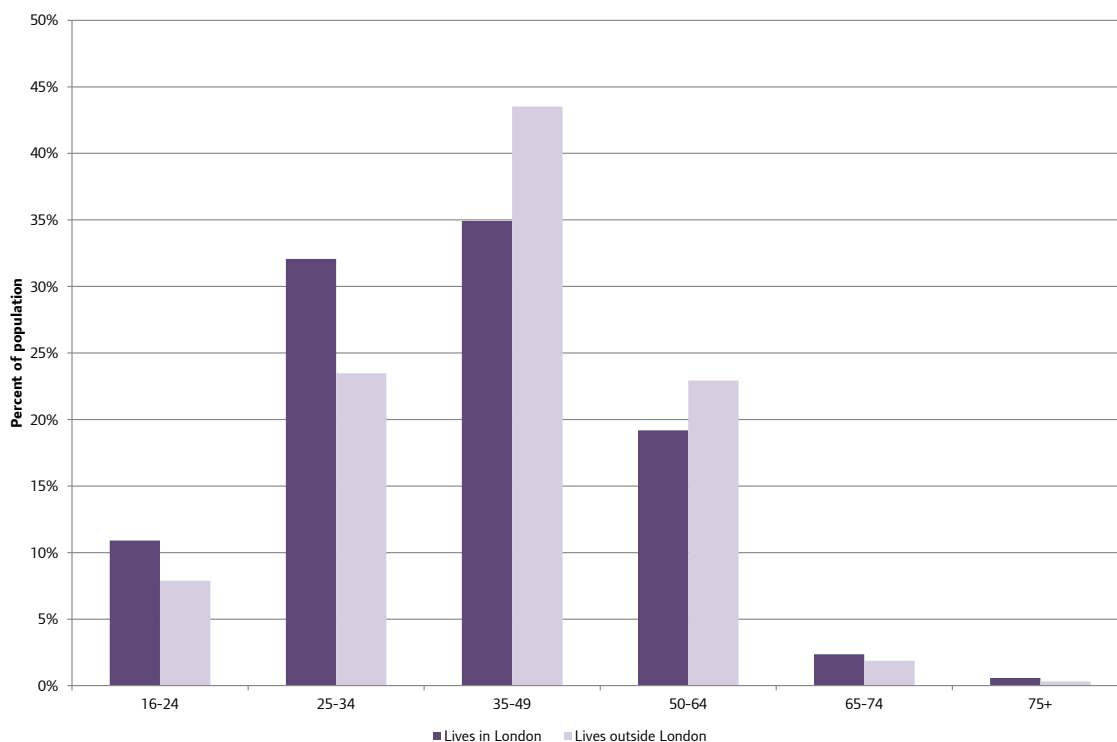
**Figure 6.32: Place of usual residence of London workers, 2011**



Source: ONS Census 2011

There were some significant differences between these populations. For a start, those who lived in London tend to be younger than those who commute in.

**Figure 6.33: Age of workers in London by place of residence, 2011**

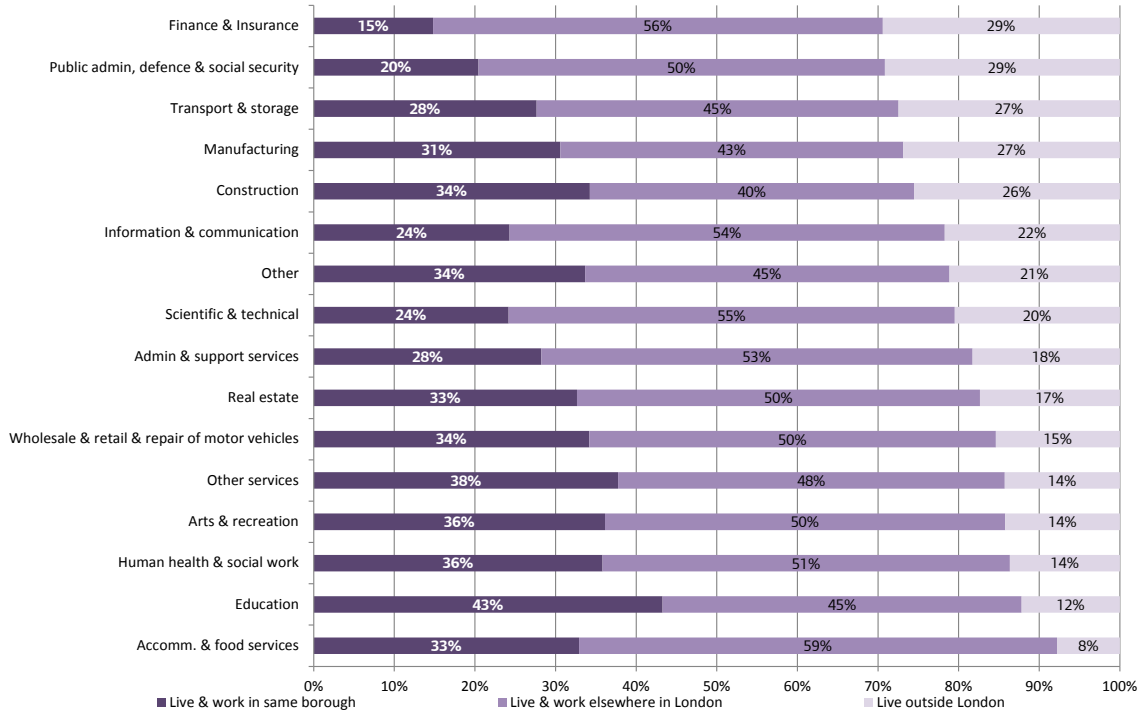


Source: ONS Census 2011

Finance & Insurance was the industry with the highest proportion of workers commuting into work from outside London (29 per cent), while the Accommodation and Food Services industry had the smallest proportion (8 per cent).

The Education industry saw the highest proportion both living and working in the same borough (43 per cent), while Finance & Insurance was the least likely industry for people to live and work in the same borough with just 15 per cent doing so.<sup>24</sup>

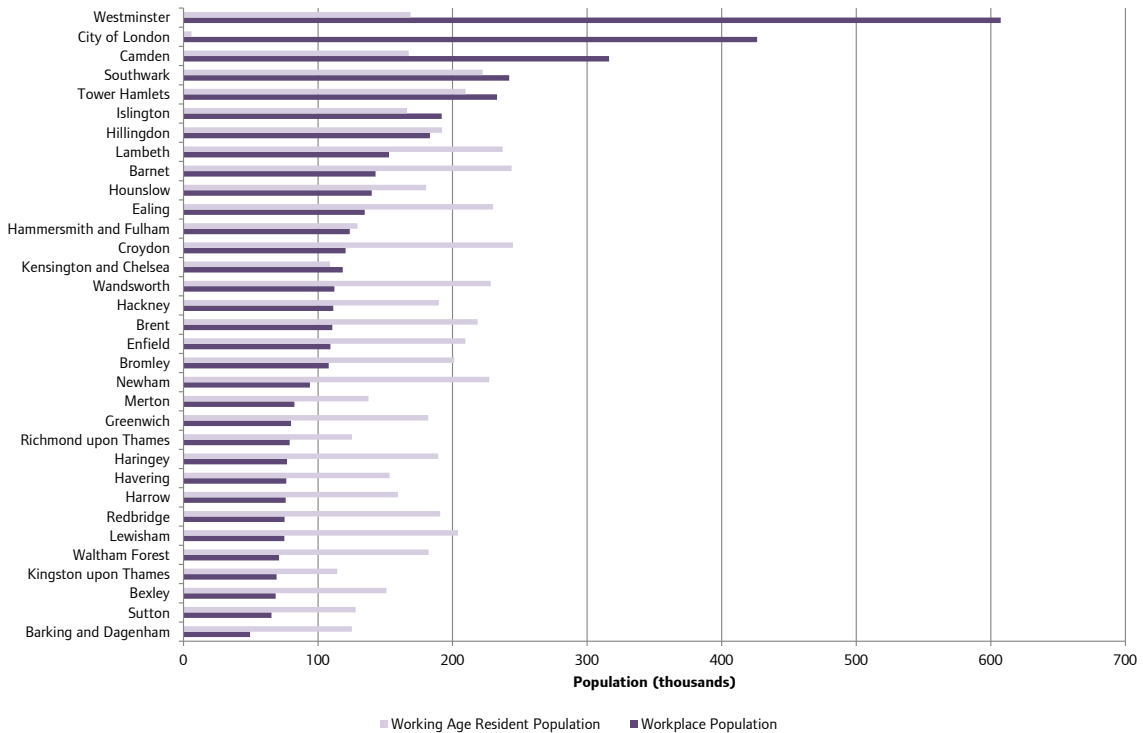
**Figure 6.34: Place of residence of London workers by industry, 2011**



Source: ONS Census 2011

Figure 6.35 shows that the workplace populations of Westminster, City of London and Camden were all far larger than their working age resident populations. On the other hand, the workplace populations of Outer London boroughs such as Barking & Dagenham, Sutton and Bexley see the opposite trend with comparably larger resident populations.

**Figure 6.35: Workplace population compared to working age resident population, 2014**



Source: ONS Annual Population Survey, Business Register and Employment Survey, Mid-year estimates

## London's labour market

London's labour market performance over time is shown in Figure 6.36. The latest estimates from the ONS showed 72.4 per cent of London residents aged 16-64 years were in employment during the three months to September 2015<sup>25</sup>. That was up from 72.1 per cent in the previous quarter and, despite being unchanged from a year earlier, was almost six percentage points higher than the lows recorded in 2011 and 2012.

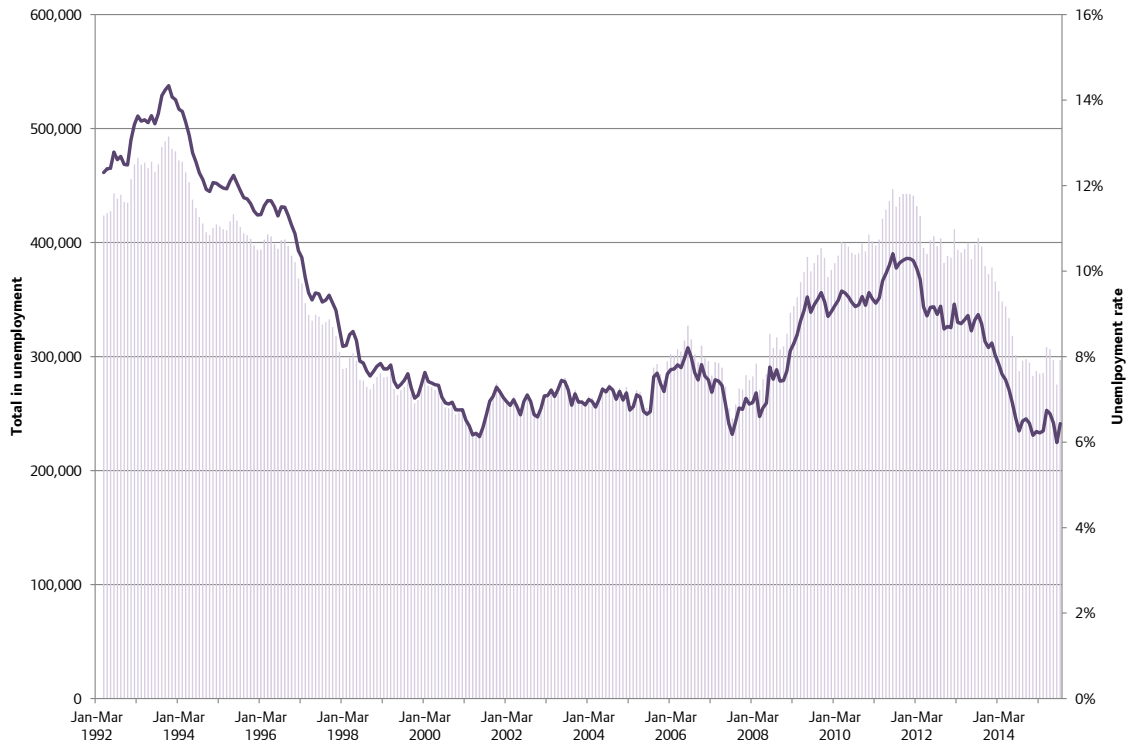
**Figure 6.36: London's employment rate, residents aged 16-64 years, three-month rolling, 1992-2015**



Source: ONS Labour Force Survey

Comparably, there were 297,000 unemployed residents aged 16 years and over<sup>26</sup> in London in Q3 2015. That gives an unemployment rate of 6.4 per cent which, whilst up 0.2 percentage points from a year earlier, remained historically low as can be seen in Figure 6.37. The unemployment rate was lower for men (6 per cent) than for women (7 per cent). Furthermore, by age groups, the unemployment rate was highest for 16-17 year olds (42.4 per cent) and generally fell as age increases.

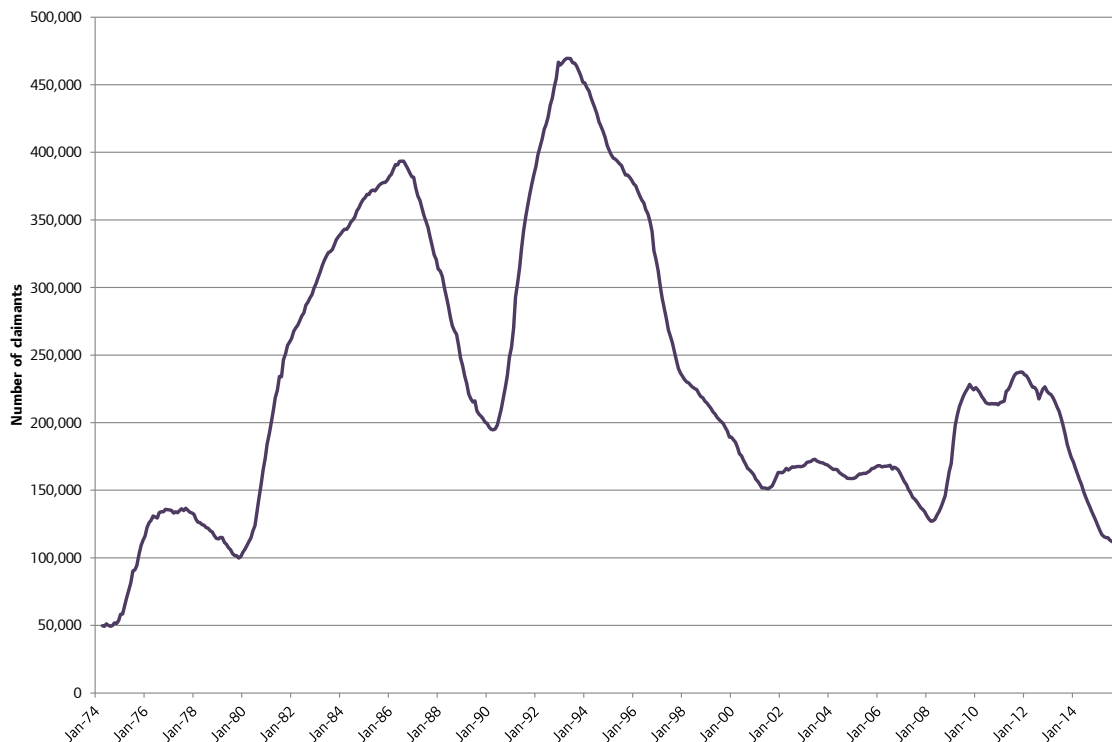
**Figure 6.37: London’s unemployment rate, residents aged 16 years and over, three-month rolling, 1992-2015**



Source: ONS Labour Force Survey

A different measure of unemployment is the Claimant Count<sup>27</sup>. There were 111,000 people claiming unemployment benefit in London in October 2015. That was down 23,300 from a year earlier and the lowest since the late 1970s (Figure 6.38). The Claimant Count unemployment rate was meanwhile estimated at 1.9 per cent. By gender, men had a higher Claimant Count unemployment rate (2.1 per cent) than women (1.7 per cent). Furthermore, approximately one-in-four claimants had been claiming unemployment benefit for more than 12 months<sup>28</sup>.

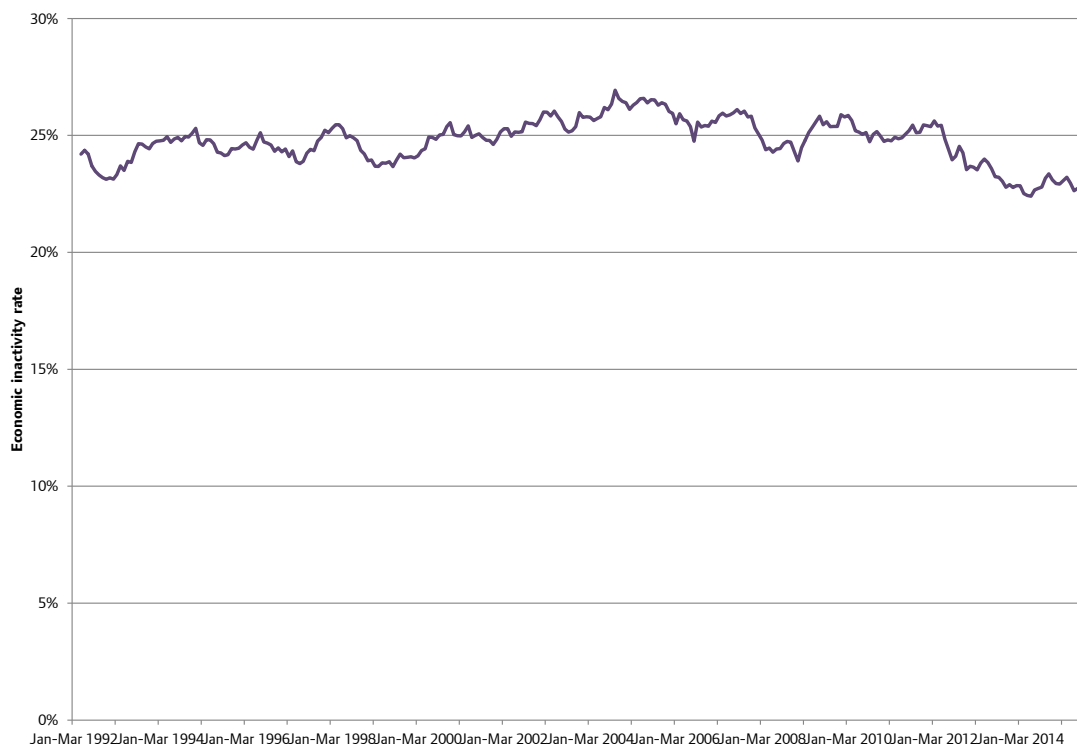
**Figure 6.38: Claimant count in London, seasonally adjusted, 1974-2015**



Source: ONS Claimant Count

Another indicator is the number of people who are economically inactive – that is, those who are not seeking or able to start work. In the three months to September 2015, the percentage of London residents who were inactive was 22.6 per cent (Figure 6.39). Although down 0.2 percentage points from the three months to September 2014, the economic inactivity rate has been relatively stable since 1992.

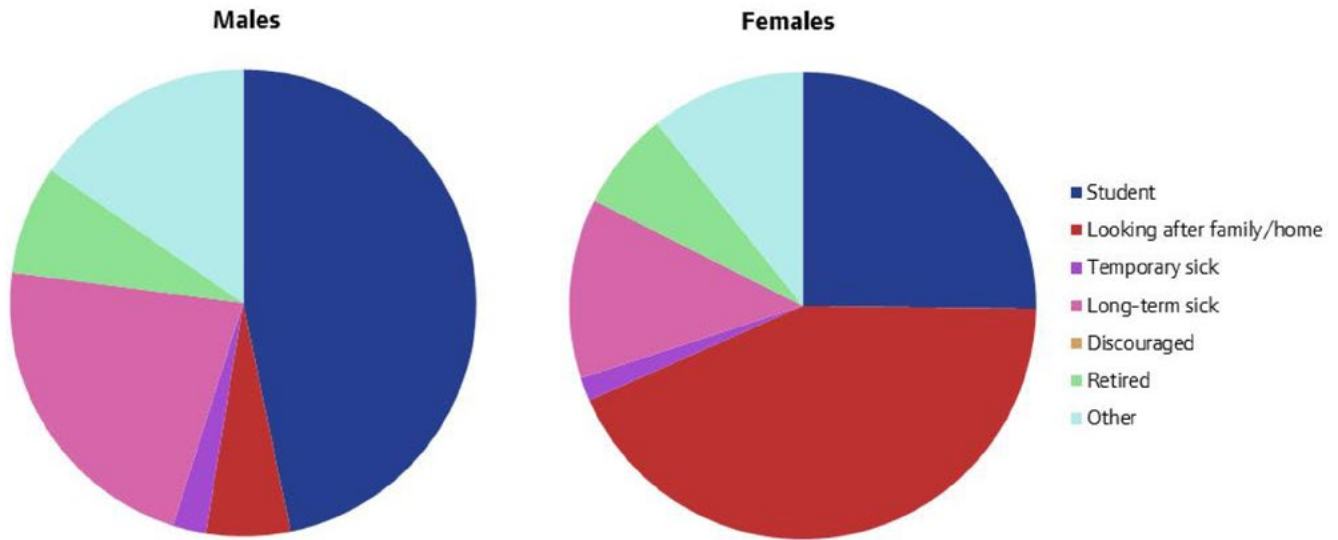
**Figure 6.39: Economic inactivity in London, residents aged 16-64 years, three-month rolling, 1992-2015**



Source: ONS Labour Force Survey

The majority of people who were economically inactive in London cited this was because they did not want a job (74.3 per cent)<sup>29</sup>. More detailed breakdowns are shown in Figure 6.40 and indicate that being a student (32.2 per cent) and looking after the family or home (30.6 per cent) were the most commonly reported reasons. Interestingly, women were more likely to cite looking after the family or home than men (43 per cent versus 5.8 per cent).

**Figure 6.40: Reasons for being economically inactive by gender in London, residents aged 16-64 years, July 2014 to June 2015**

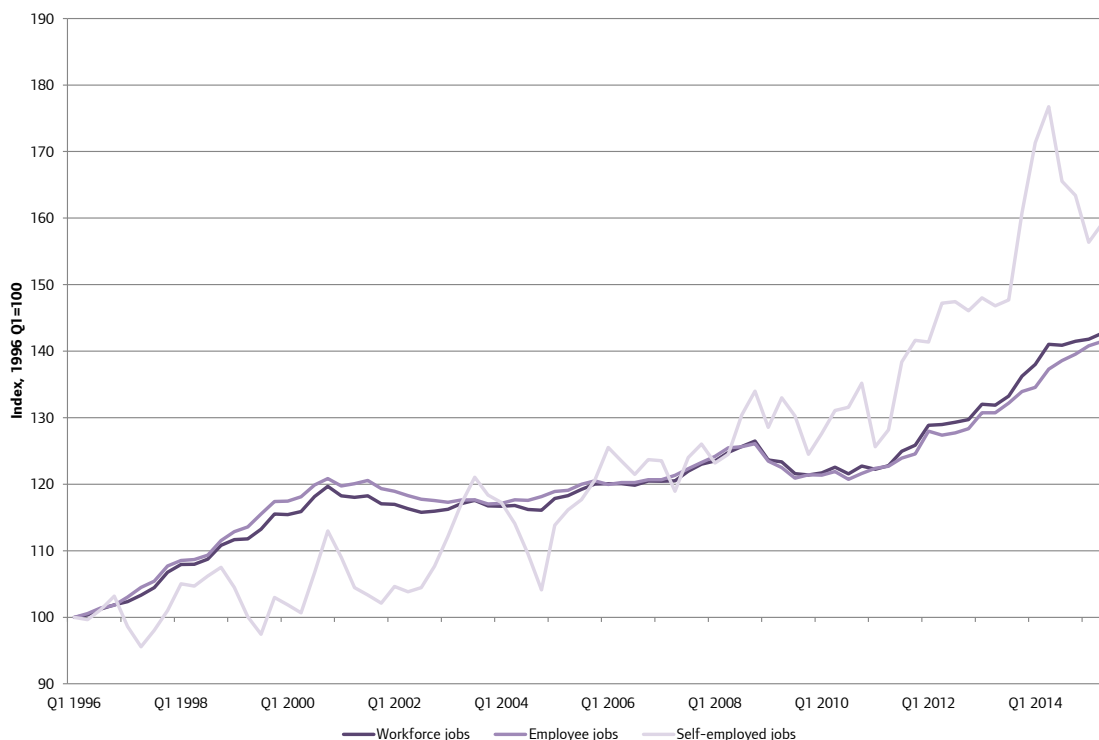


Source: ONS Annual Population Survey

When comparing with the year ending June 2005, the proportion of economically inactive residents who do not want a job had fallen – 77.1 per cent in 2005 compared with 74.3 per cent in 2015. Moreover, whilst being a student and looking after the family or home were similarly the most cited reason for being inactive in 2005, there were proportionally more who reported being either temporarily or long-term sick (20 per cent versus 17.5 per cent).

Another labour market breakdown is by employees and those that are self-employed<sup>30</sup>. Most jobs in London were employee roles (87.3 per cent in June 2015) with the remainder largely self-employment jobs (12.6 per cent)<sup>31</sup>. Nonetheless, self-employment has seen a faster rate of growth since 1996 than employee jobs as shown in Figure 6.41. In fact, the growth in self-employed jobs since 2006 can partly explain the overall rise in workforce jobs in London. For example, whilst employee jobs have increased 17.9 per cent between Q1 2006 and Q2 2015, growth in self-employment jobs has been one-and-a-half times stronger at 26.8 per cent.

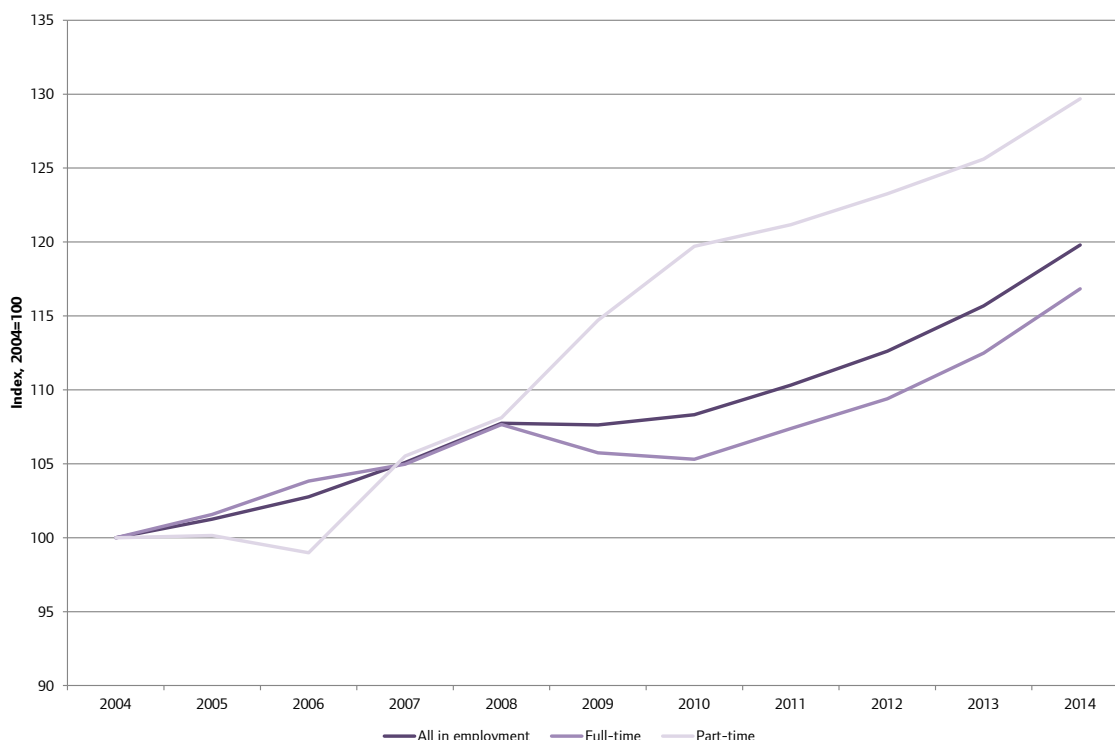
**Figure 6.41: Workforce jobs in London by employees and self-employed jobs, 1996-2015**



Source: ONS Workforce Jobs

The split by full-time and part-time working age employees in 2014 was 77.7 per cent and 21.8 per cent respectively. Of those working part-time, 61.5 per cent reportedly did not want a full-time job, but an additional 21.6 per cent commented that they could not find a full-time position (compared with 13.6 per cent of people citing this reason in 2008)<sup>32</sup>. In particular, the number of part-time workers in London has grown 29.7 per cent since 2004 (compared with 16.8 per cent growth for full-time workers) and can also partly explain the rise in total employment as shown in Figure 6.42.

**Figure 6.42: Full-time and part-time workers in London, working age population (16-64 years), 2004-2014, 2004=100**



Note: January to December periods. Source: ONS Annual Population Survey Box: Part-time employment in London



**Box 6.1: Part-time employment in London**

As noted above, the strong growth in the number of part-time workers can partly explain the rise in total employment in London. Indeed, when comparing with UK trends as shown in Figure 6.42, growth in part-time workers was stronger in London (29.7 per cent versus 9.8 per cent). Despite this, the share of part-time workers in London (21.8 per cent in 2014) is lower than the UK as a whole (25.5 per cent).

The same trends are observed when looking at the number of part-time jobs<sup>33</sup>. When looking at the growth in part-time jobs between 2008 and 2014, the biggest risers were in the Other Activities, Real Estate, Professional, Scientific & Technical Activities, and Public Administration & Defence industries. Additionally, the occupations that saw the biggest increases in part-time roles were in Managerial, Associate Professional & Technical, and Process, Plant & Machine Operative occupations.

Therefore, one common explanation for the lower share of part-time jobs in London as compared with the UK is the differing industry and occupational mixes within the respective economies. However, previous analysis by GLA Economics that applied the UK's occupational shares to London and used the London full-time/part-time split across each occupation suggested that this only accounted for 37.2 per cent of the gap<sup>34</sup>.

To try to explain the remaining difference, GLA Economics also looked at the gender and parental differences in part-time employment<sup>35</sup>. Generally, female employment rates (both full and part-time) in London have historically been lower than male employment rates as shown in Figure 6.45 in the next section. Moreover, whilst 66.1 per cent of part-time jobs in London were taken by women, this share remains below the 70.6 per cent level for the UK and, since Q3 1996, much of the increase in part-time jobs in London has been amongst men. Consequently, in 2013, 20.8 per cent of women were employed part-time in London compared with 28.7 per cent for the rest of the UK. This difference is emphasised when solely looking at women with dependent children – 27.1 per cent of these women work part-time in London compared with 36.8 per cent for the rest of the UK.

Given this, it is important to understand the reasons for why women (with dependent children) have a lower employment rate in London and particularly in regards to part-time employment. Some possible reasons include:

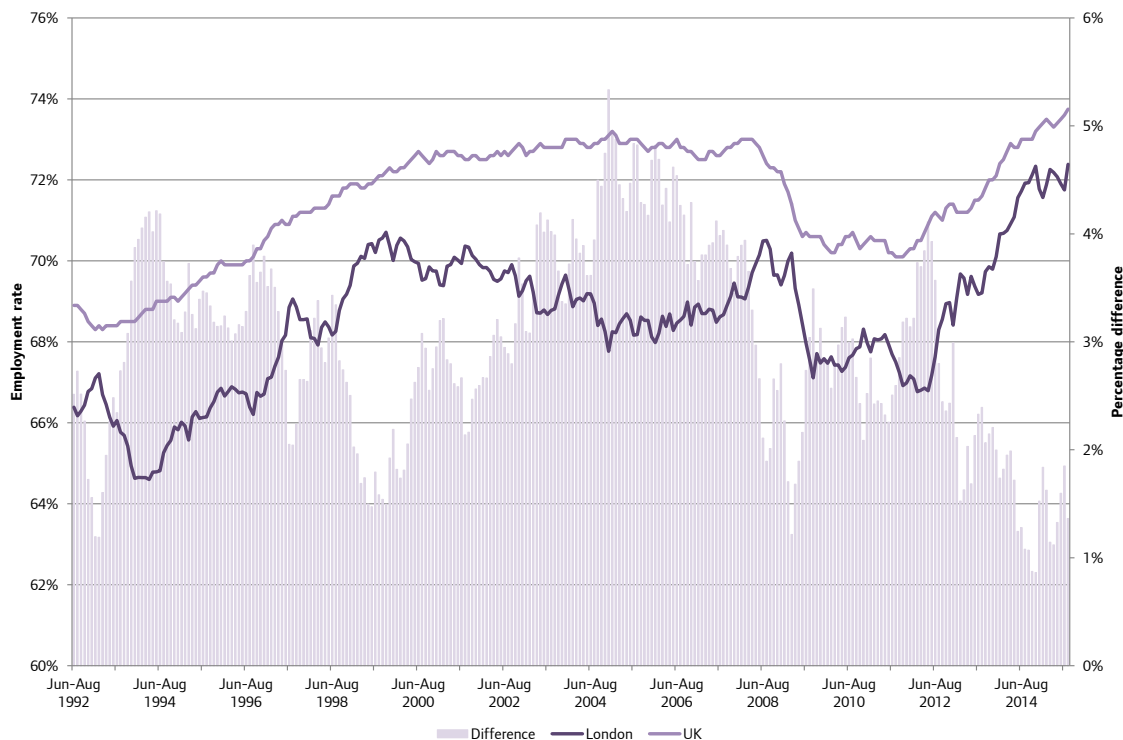
- London-specific factors such as the higher costs of living (which are arguably not effectively accounted for by the national tax and benefits system) and higher costs of travelling to work;
- Individual characteristics such as ethnicity; and
- Factors on the demand side including factors that prevent firms from offering part-time jobs (based on the belief that part-time workers may be more costly to employ and less committed than full-time workers).

Tables 6.19 - 6.21 in Appendix 6.1 provides details of London's labour market at a borough level.

Comparisons with the UK in Figures 6.43 and 6.44 show that London has consistently had a lower employment rate and a higher unemployment rate since 1992. For example, in the three months to September 2015, the UK's employment rate was 73.7 per cent – 1.4 percentage points above London; whilst the UK's unemployment rate was 5.3 per cent – 1.1 percentage points below London. However, this has not always been the case with previous GLA Economics analysis showing London having a higher employment rate than the UK prior to 1990<sup>36</sup>.

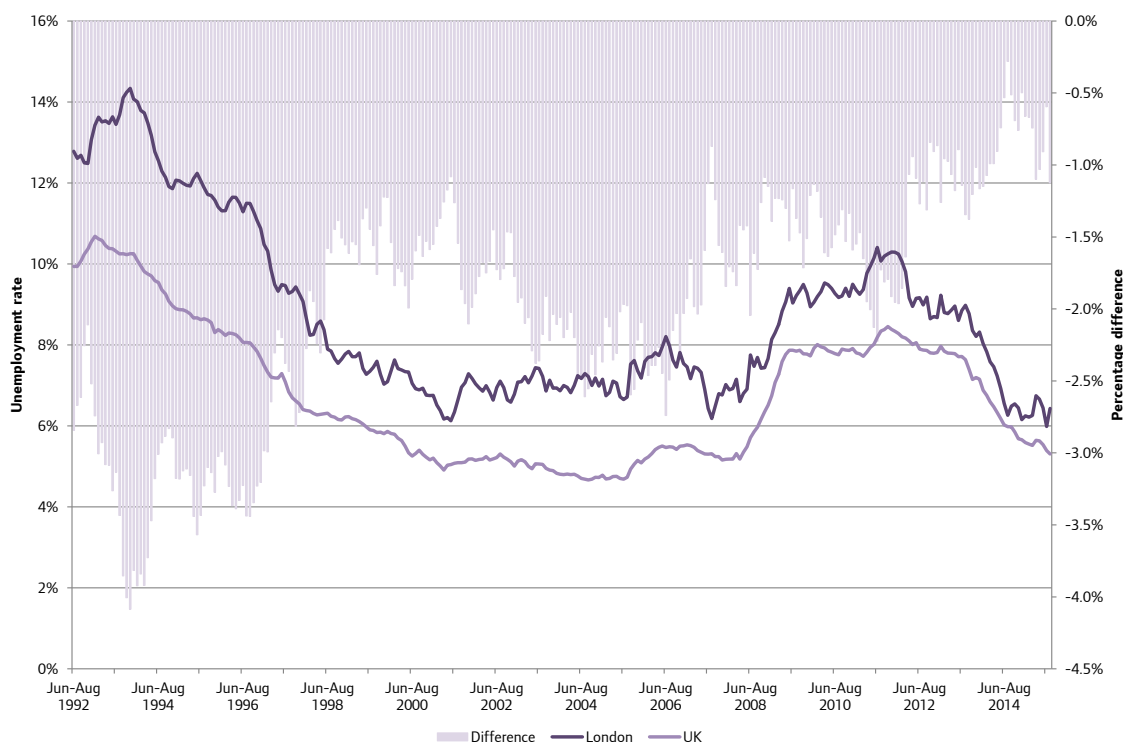
More recently, the gap between London and the UK has narrowed which can partly be explained by London having a stronger recovery from the recent recession. For instance, London's employment rate has risen 5.7 percentage points since its recessionary low compared with a 3.6 percentage point rise for the UK.

**Figure 6.43: Employment rates in London and the UK for the working age population (16-64 years), three-month rolling, 1992-2015**



Source: ONS Labour Force Survey

**Figure 6.44: Unemployment rates in London and the UK for the population aged 16 years and over, three-month rolling, 1992-2015**



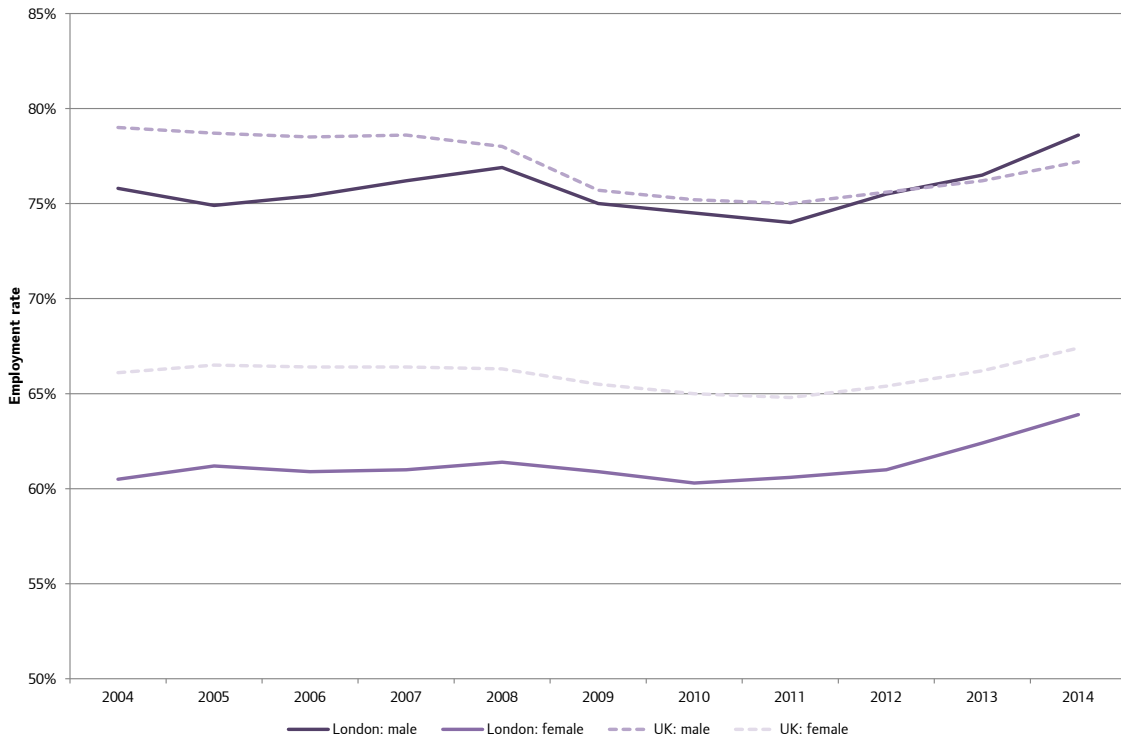
Source: ONS Labour Force Survey

Previous analysis by GLA Economics suggested that this difference can be explained by the unique characteristics of London’s population<sup>3738</sup>. For example, London has a higher proportion of the population being Black, Asian and minority ethnic (BAME), and migrants than the UK. The following charts and tables looks at the employment rates by demographic breakdowns to see whether London-specific characteristics can still explain this difference.

## Gender

The first chart shows the male and female employment rates for London and the rest of the UK<sup>39</sup>. The first observation is that the male employment rate has historically been higher than the female employment rate for both London and the UK. Indeed, in 2014, London’s male employment rate was 78.6 per cent compared with the female employment rate of 63.9 per cent. The second observation is that the difference between the male employment rates for London and the UK is relatively small, but is larger for females. Other GLA Economics analysis suggested women may appear to be ‘disadvantaged’ in comparison to men due to individual characteristics and factors which are peculiar to London, such as the higher cost of childcare, transport and, more generally, cost of living which can influence the opportunity cost of women working<sup>40</sup>.

**Figure 6.45: Employment rates by gender in London and the UK for the working age population (16-64 years), 2004-2014**



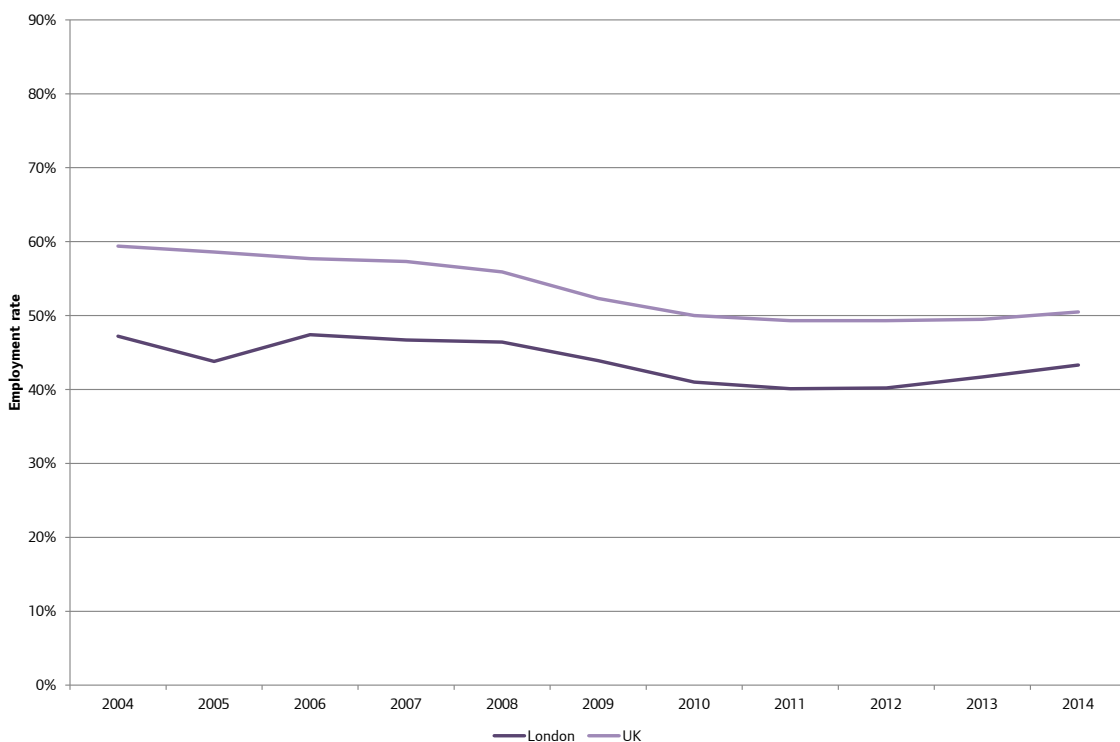
Note: January to December periods. Source: ONS Annual Population Survey

Interestingly, the gap between the male and female employment rates for London and the UK has narrowed in recent years, particularly when looking further over time when these gaps widened in the mid-1990s and early 2000s<sup>41</sup>. In fact, the male employment rate for London has been marginally higher than the UK in both 2013 and 2014. This suggests that the closing of these gaps could partly explain the convergence of London’s and the UK’s headline employment rates.

## Age

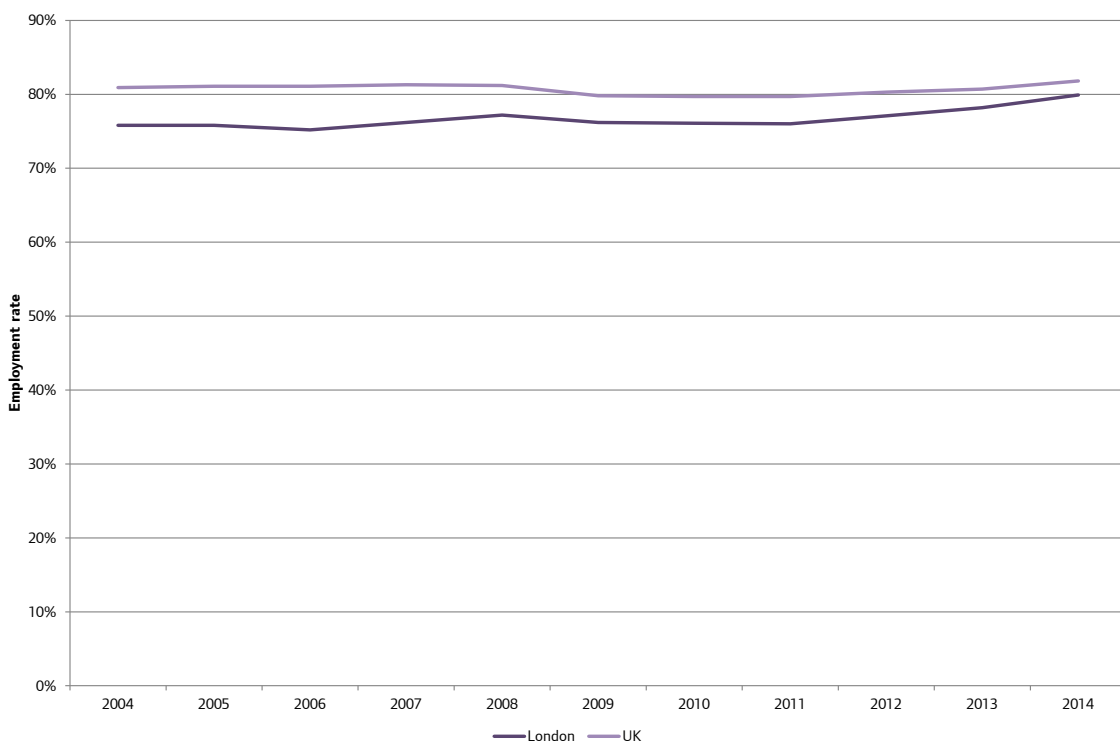
Figures 6.46-6.48 plots the employment rates for the 16-24, 25-49 and 50-64 age groups for London and the UK. The largest gap in London’s and the UK’s employment rates is for the 16-24 age group<sup>42</sup>, but this has narrowed from 12.2 percentage point difference in 2004 to 7.2 percentage point in 2014 and was one of the drivers for the closing of the gap at the headline level. There has also been a convergence between employment rates for the 25-49 age group, with the rates broadly similar for London and the UK. The same can be said for the 50-64 age group where the employment rates for London and the UK were 68.5 per cent and 68.3 per cent respectively.

**Figure 6.46: Employment rates for the 16-24 age group for London and the UK, 2004-2014**



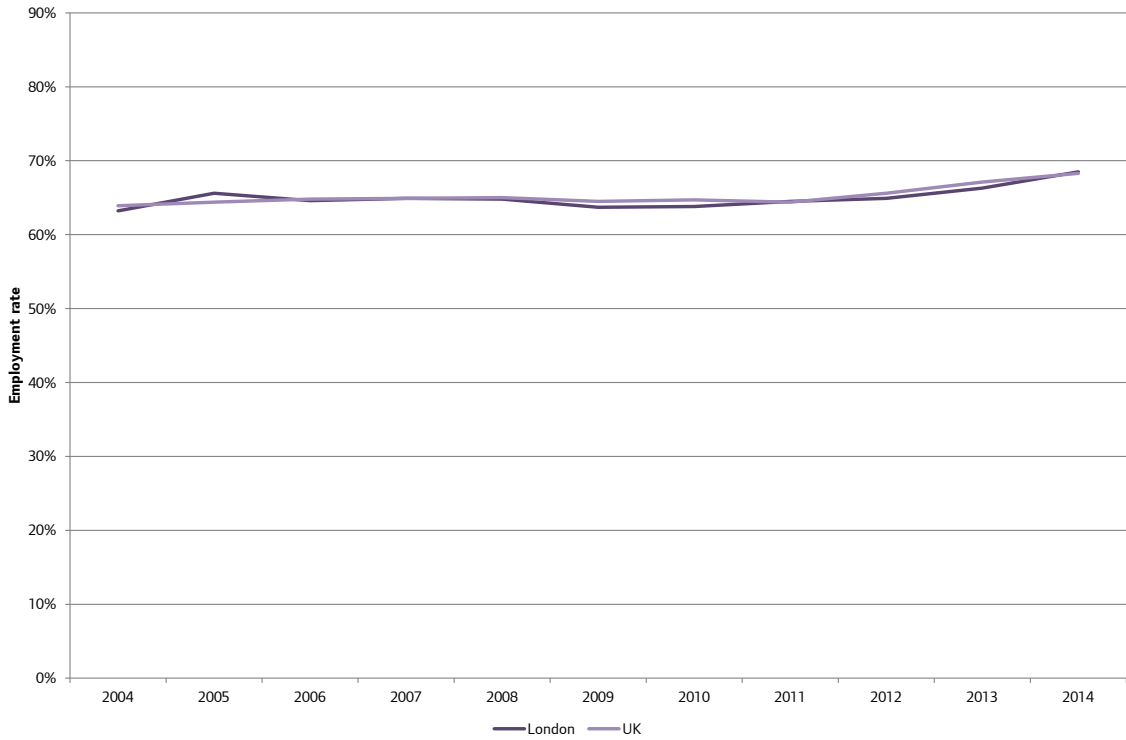
Note: January to December periods. Source: ONS Annual Population Survey

**Figure 6.47: Employment rates for the 25-49 age group for London and the UK, 2004-2014**



Note: January to December periods. Source: ONS Annual Population Survey

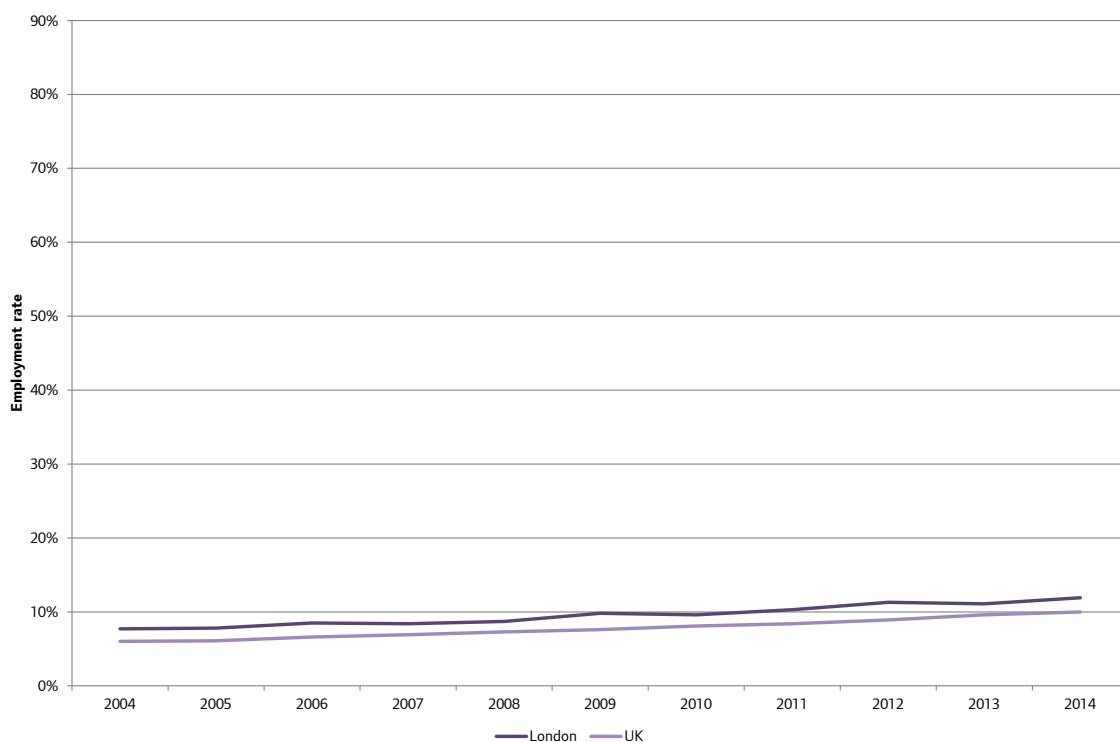
**Figure 6.48: Employment rates for the 50-64 age group for London and the UK, 2004-2014**



*Note: January to December periods. Source: ONS Annual Population Survey*

Employment rates by age groups and gender are also presented in Appendix 6.2. Interestingly, whilst the employment rates for men and women in London were broadly similar for the 16-24 age group, differences emerge for the 25-49 and 50-64 groupings. Moreover, London’s male employment rate for the 25-49 age group was broadly in line with that for the UK, but there was a gap for the associated female employment rate. This could partly be due to women with dependent children having a lower employment rate in London than the rest of the UK which is discussed in greater depth in the following section.

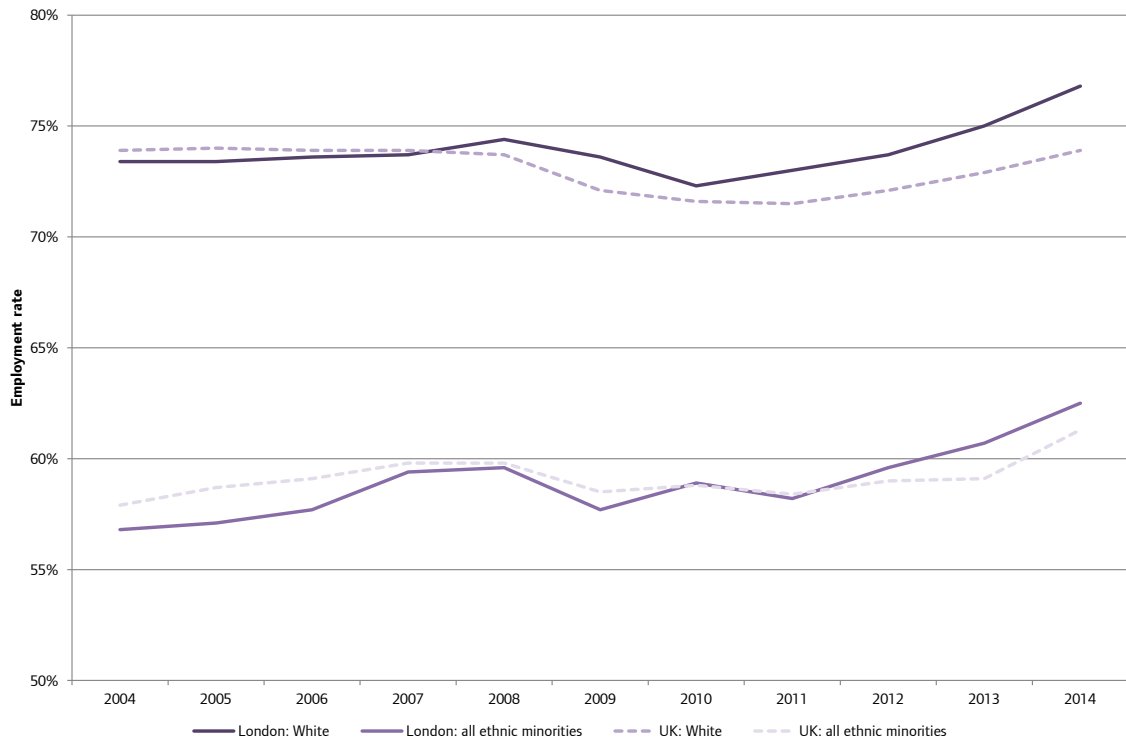
Whilst individuals aged 65 and over are not included in the employment rate statistics as they are outside of the working age population definition (16-64 years), London has consistently had a higher employment rate than the UK as a whole (Figure 6.49). The latest estimates indicated that London’s employment rate for the over 65 age group was 11.9 per cent in 2014, compared with 10 per cent for the UK.

**Figure 6.49: Employment rates for the over 65 age group for London and the UK, 2004-2014**

Note: January to December periods. Source: ONS Annual Population Survey Ethnicity

## Ethnicity

An interesting trend emerges when looking at employment rates by ethnicity for London and the UK. Whilst employment rates are higher for the 'White' grouping than the ethnic minority group, London generally has higher rates than the UK as a whole (Figure 6.50). For example, the employment rate for the 'White' group was 76.8 per cent in London in 2014, compared with 73.9 per cent for the UK. Similarly, the employment rate for all ethnic minorities was 62.5 per cent in London, compared with 61.3 per cent for the UK. Further breakdowns are provided in Tables 6.4 and 6.5 and suggest that employment rates in London were in line or indeed higher than the UK for the Indian, Pakistani or Bangladeshi, Black or Black British and 'other' ethnicity groups. London only had a lower employment rate for the 'all mixed ethnicities' grouping.

**Figure 6.50: Employment rates by ethnicity for the working age population (16-64 years) for London and the UK, 2004-2014**

Note: January to December periods. Source: ONS Annual Population Survey

**Table 6.4: Employment rates by detailed ethnicity groups for the working age population (16-64 years) for London, 2004-2014**

Year	White	Indian	Pakistani or Bangladeshi	Black or Black British	All mixed ethnicities	All other ethnicities
2004	73.4%	67.7%	43.2%	57.3%	59.3%	54.7%
2005	73.4%	67.6%	42.8%	57.7%	62.1%	55.2%
2006	73.6%	68.2%	43.8%	59.2%	62.8%	54.7%
2007	73.7%	69.4%	43.7%	61.9%	59.7%	57.8%
2008	74.4%	69.4%	46.0%	59.0%	61.5%	60.2%
2009	73.6%	65.9%	48.5%	57.5%	59.7%	56.4%
2010	72.3%	69.2%	48.6%	58.5%	60.0%	56.9%
2011	73.0%	70.1%	50.4%	55.0%	57.9%	57.5%
2012	73.7%	69.6%	51.5%	58.6%	58.0%	58.6%
2013	75.0%	69.3%	51.4%	60.3%	61.6%	60.4%
2014	76.8%	71.3%	55.1%	62.2%	60.3%	61.4%

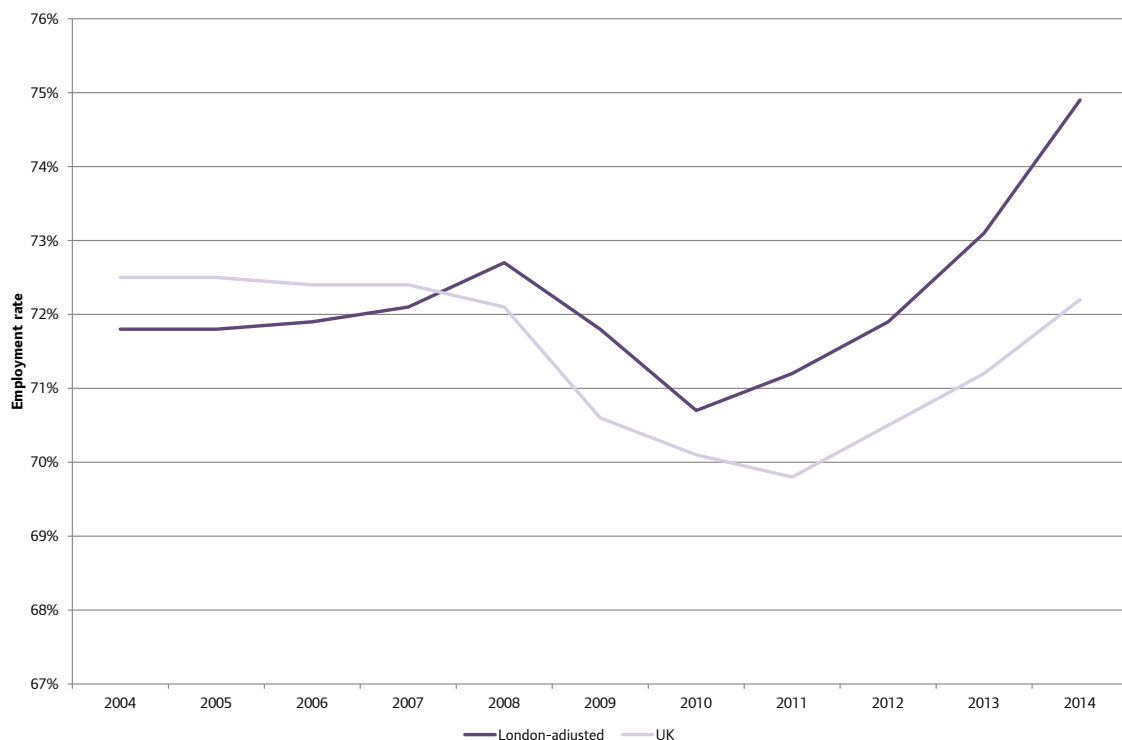
Note: January to December periods. Source: ONS Annual Population Survey

**Table 6.5: Employment rates by detailed ethnicity groups for the working age population (16-64 years) for the UK, 2004-2014**

Year	White	Indian	Pakistani or Bangladeshi	Black or Black British	All mixed ethnicities	All other ethnicities
2004	73.9%	67.9%	44.4%	59.9%	62.0%	56.9%
2005	74.0%	68.6%	44.1%	61.0%	62.4%	58.5%
2006	73.9%	69.0%	44.6%	62.3%	64.7%	57.6%
2007	73.9%	69.5%	44.8%	63.3%	63.5%	59.4%
2008	73.7%	69.0%	46.3%	61.4%	60.2%	60.7%
2009	72.1%	68.3%	46.7%	58.4%	59.8%	59.3%
2010	71.6%	70.0%	46.4%	60.1%	61.3%	57.5%
2011	71.5%	70.3%	48.5%	56.8%	60.1%	57.3%
2012	72.1%	69.1%	48.4%	60.1%	59.6%	58.1%
2013	72.9%	69.0%	48.5%	60.7%	61.4%	57.7%
2014	73.9%	71.3%	52.0%	62.1%	62.8%	59.6%

Note: January to December periods. Source: ONS Annual Population Survey

Given the employment rate for ethnic minorities is lower than the 'White' group and that London has a larger proportion of ethnic minorities than the UK (see Figure 6.23 for example), it could be argued that this is one explanation for London's headline employment rate being below the UK. Indeed, if it is assumed that London's population had the same proportions of ethnic groups as the UK and London employment rates by ethnicity remained the same, London's headline 'adjusted' employment rate<sup>43</sup> would then be above the UK as shown in Figure 6.51.

**Figure 6.51: London-adjusted employment rate based on ethnicity groups and the UK employment rate for the working age population (16-64 years), 2004-2014**

Note: January to December periods. Source: ONS Annual Population Survey, GLA Economics calculations

Similar London-adjusted employment rates with the UK can be constructed with other employment breakdowns and will be included in later versions of the Economic Evidence Base.



### Lone parents

Table 6.6 shows the percentage of working and workless families<sup>44</sup> in London and the UK by type of family in 2014. Families are more likely to be working in London than the UK as a whole, with 88.1 per cent of all families in London working compared with 87.3 per cent for the UK. Moreover, couple families in London are more likely than lone parent families<sup>45</sup> to be in employment (93.5 per cent versus 70.2 per cent). Where families across the UK were reported as being workless, looking after the family or home was the most common reason provided for not being in work, particularly for lone parents (ONS (2014), Families in the labour market, 2014).

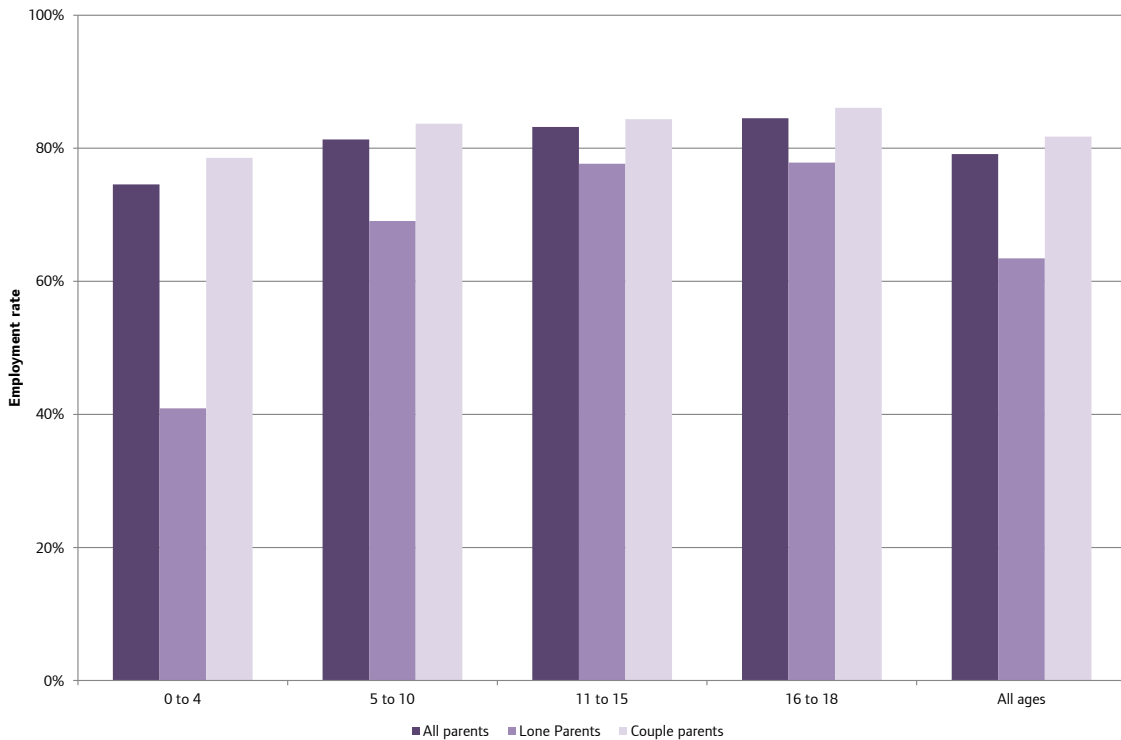
**Table 6.6: Percentage of families by type of family and combined economic activity status of family members in London and the UK, 2014**

Region	Lone parent families		Couple families		All families	
	Working families	Workless families	Working families	Workless families	Working families	Workless families
London	70.2%	29.8%	93.5%	6.5%	88.1%	11.9%
UK	70.0%	30.0%	91.4%	8.6%	87.3%	12.7%

Note: January to December. Source: ONS Annual Population Survey household dataset

As can be expected, employment rates for working families rises as the age of dependent children<sup>46</sup> increases. This is shown in Figure 6.52 which plots this data for the UK as a whole.

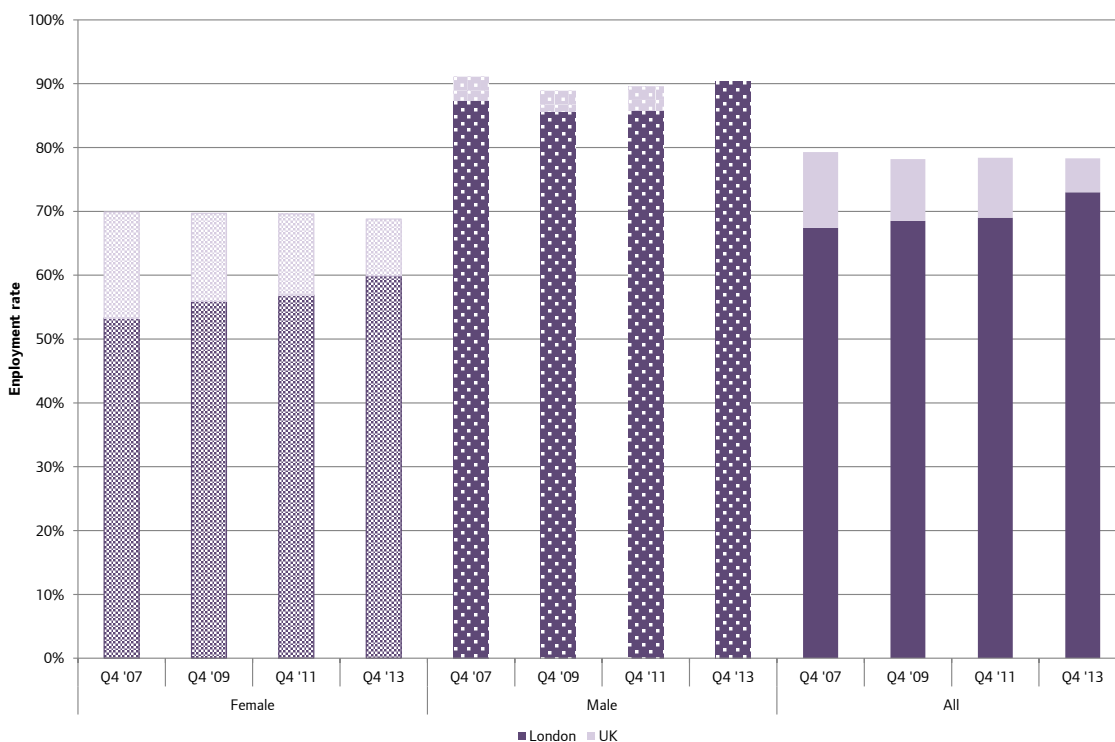
**Figure 6.52: Percentage of parents in employment by age of youngest dependent child for the UK, April to June 2014**



Note: April to June period. Source: ONS Labour Force Survey data

Alternatively, Figure 6.53 plots the employment rates of parents by gender for London and the rest of the UK for select periods from 2007. Initially, parents in London have historically had a lower employment rate than parents across the rest of the UK, though this gap has halved from 11.9 percentage points in Q4 2007 to 5.3 percentage points in Q4 2013. This difference mostly reflects women in London with dependent children having a lower employment rate than the rest of the UK. For example, despite the employment rate for women with dependent children rising 6.6 percentage points since 2007 in London, it was 8.9 percentage points lower than the rest of the UK.

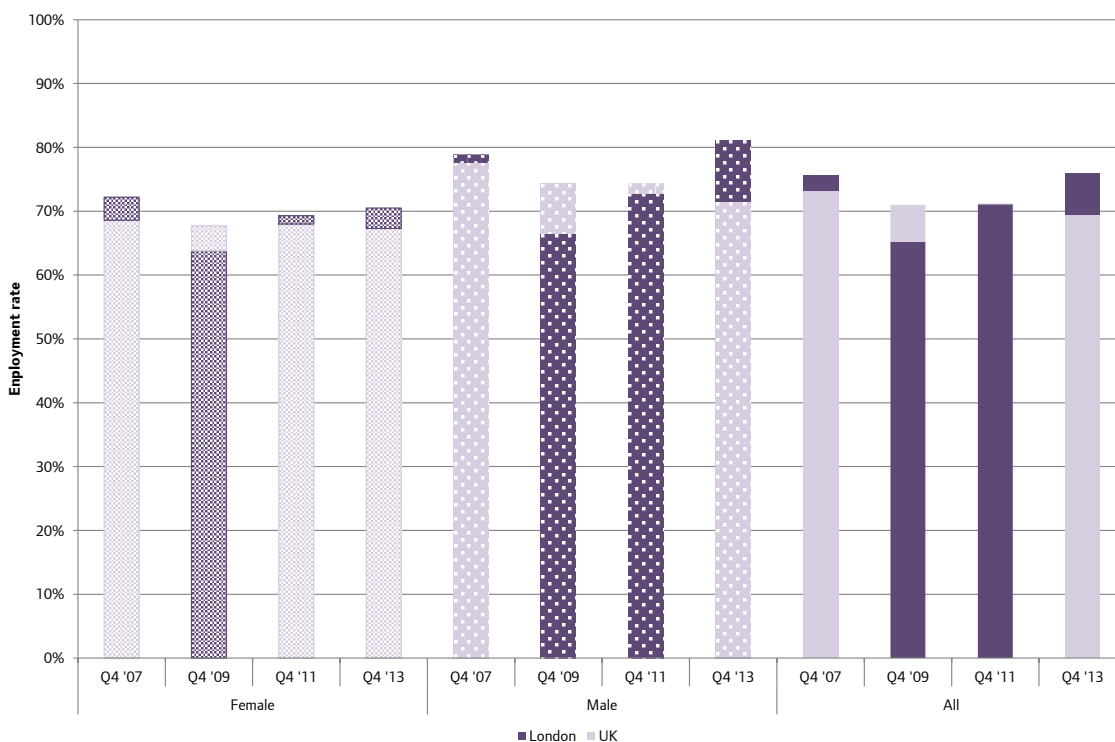
**Figure 6.53: Employment rates of parents by gender for London and the Rest of the UK**



Note: October to December periods. Source: ONS Quarterly Households Labour Force Survey and GLA Economics calculations

Interestingly, women without dependent children in London have a higher employment rate (70.5 per cent in Q4 2013) than women with dependent children (59.9 per cent). However, the reverse is true for women across the rest of the UK where parents have consistently had a higher employment rate than non-parents. Indeed, women without children generally do better in London than outside as shown in Figure 6.54. A similar trend can be seen for men more recently where men without dependent children have a higher employment rate in London. That said, men without dependent children (both in London and the rest of the UK) have lower employment rates than men with dependent children.

**Figure 6.54: Employment rates of non-parents by gender in London and the Rest of the UK**

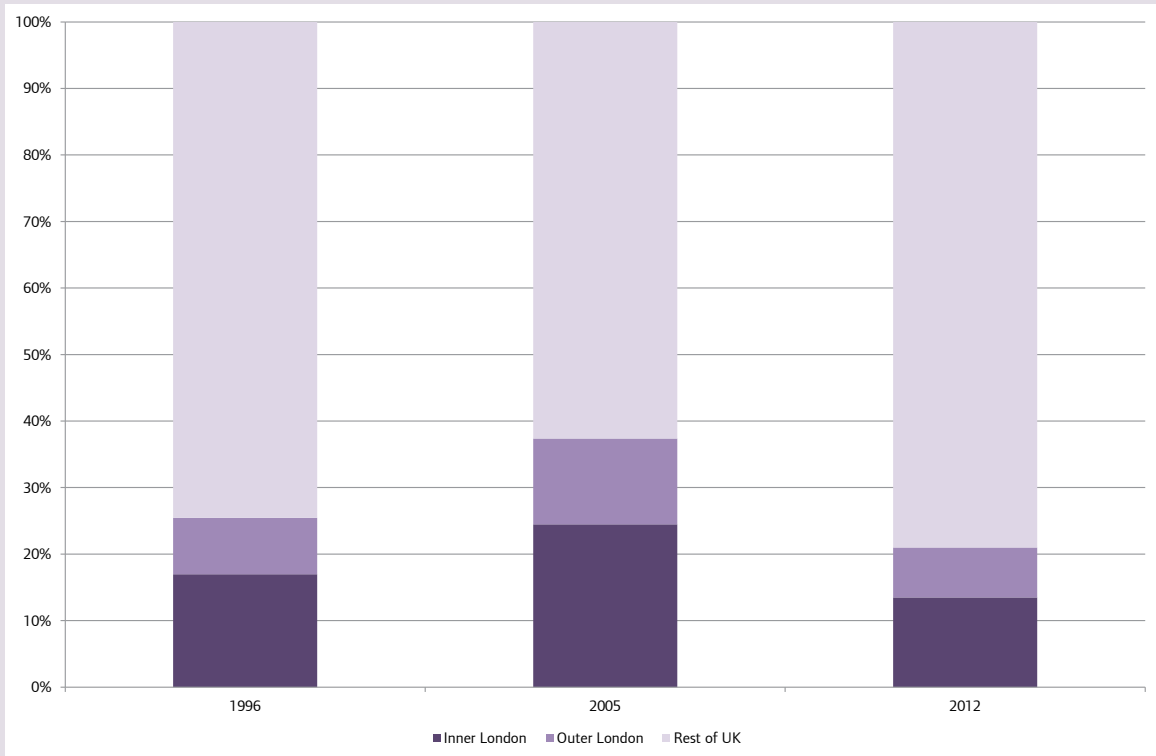


Note: October to December periods. Source: ONS Quarterly Households Labour Force Survey and GLA Economics calculations

**Box 6.2: Never worked households in London**

Never worked households are rare across the UK with less than 10 per cent of workless households made up of individuals who have never had a job<sup>47</sup>. Instead, many are either looking for work or have caring responsibilities or disabilities. Despite this, there are approximately 264,000 never worked households across the UK in 2012, up from 114,000 in 1996. Indeed, Inner London had the highest proportion of never worked families across the UK (13.5 per cent of the total). Including Outer London means that 21 per cent of all never worked households were in London, though this figure was down from previous years (Figure 6.55).

**Figure 6.55: Regional distribution of never worked households across the UK, 1996, 2005 and 2012**



Notes: April to June periods. Source: Rosso et al. (2015) using ONS Quarterly Households Labour Force Survey data

Parts of the rise in never worked households could be due to the difficulty faced by some young people finding their first job after leaving education, as well as the difficulty faced by lone parents, disabled people and ethnic minorities. Indeed, 44 per cent of never-worked households were lone parents, 65.1 per cent were headed up with women and 34.3 per cent had heads of households that were from ethnic backgrounds.

Whilst no information was available on the reason for why individuals have never worked, there is data for the current reason for not working among individuals who have never worked. The most common reason for not currently working was being unemployed (37.1 per cent), though looking after the home or family (29.9 per cent) and long-term sickness or disability (19.3 per cent) were also commonly cited.

## Qualifications

In London, 57.6 per cent of the working age resident population who are in employment<sup>48</sup> had NVQ Level 4 or higher (the equivalent of higher education) in 2014. A further 13 per cent had Level 3 (A Levels) and 9.6 per cent had Level 2 (GCSE grade A\*-C). Comparably, the UK as a whole had a lower proportion of workers with Level 4 than London, but a higher proportion of employees with Level 3 and 2 (Table 6.7).

**Table 6.7: Percentage of the working age population (16-64 years) who are in employment by highest qualification for London and the UK in 2014**

Highest qualification	London	UK
No qualifications	4.2%	5.1%
Other qualifications	7.7%	6.1%
NVQ1 only	6.2%	10.4%
NVQ2 only	9.6%	15.6%
Trade Apprenticeships	1.6%	3.8%
NVQ3 only	13.0%	17.4%
NVQ4 or higher	57.6%	41.6%

Source: ONS Annual Population Survey

Employment rates by qualification can be estimated when combining these breakdowns with population estimates. These figures for London and the UK are shown in Tables 6.8 and 6.9. These show that employment rates by qualification in London were generally lower than for the UK as a whole and can therefore not explain the difference between the London and UK headline employment rates. The one notable exception was for those with NVQ Level 4 or higher where the employment rates for London and the UK were broadly similar in 2014. This suggests that individuals with low or even no qualifications are less likely to be in employment in London than the UK – that is, the penalty for not having good qualifications is greater in London than the UK as a whole.

**Table 6.8: Employment rates by qualification for the working age population (16-64 years) for London, 2004-2014**

Year	NVQ4+	NVQ3	NVQ2	NVQ1	Other qualifications	No qualification
2004	85.6%	69.4%	66.4%	64.2%	67.2%	41.3%
2005	85.1%	67.6%	62.8%	65.6%	66.5%	42.2%
2006	86.0%	67.2%	63.4%	61.5%	66.1%	41.5%
2007	84.9%	66.7%	62.3%	60.8%	69.8%	42.8%
2008	84.2%	65.6%	63.1%	58.4%	68.9%	39.9%
2009	82.8%	64.6%	60.2%	58.3%	64.9%	39.6%
2010	82.6%	61.7%	57.8%	53.7%	65.3%	37.0%
2011	80.9%	62.7%	56.1%	55.5%	61.8%	39.2%
2012	81.5%	62.4%	57.8%	53.0%	65.0%	38.0%
2013	82.5%	61.7%	56.9%	54.8%	66.7%	40.0%
2014	83.6%	66.3%	58.6%	56.9%	68.6%	38.4%

Note: January to December periods. Source: ONS Annual Population Survey and GLA Economics calculations

**Table 6.9: Employment rates by qualification for the working age population (16-64 years) for the UK, 2004-2014**

Year	NVQ4+	NVQ3	NVQ2	NVQ1	Other qualifications	No qualification
2004	86.9%	77.6%	75.0%	72.9%	72.8%	51.0%
2005	87.1%	77.4%	74.6%	72.8%	73.0%	49.9%
2006	86.8%	76.8%	73.9%	71.6%	73.9%	49.6%
2007	87.0%	76.8%	73.3%	71.0%	75.1%	49.4%
2008	84.9%	75.9%	71.5%	67.9%	72.1%	44.2%
2009	83.6%	74.0%	69.0%	65.2%	69.1%	42.2%
2010	83.7%	72.7%	67.4%	63.0%	68.8%	40.5%
2011	82.4%	72.8%	66.9%	62.6%	68.2%	40.2%
2012	82.8%	72.3%	66.9%	63.0%	68.5%	39.7%
2013	83.4%	72.2%	67.0%	63.2%	69.7%	40.7%
2014	83.9%	73.1%	67.9%	64.3%	71.5%	41.1%

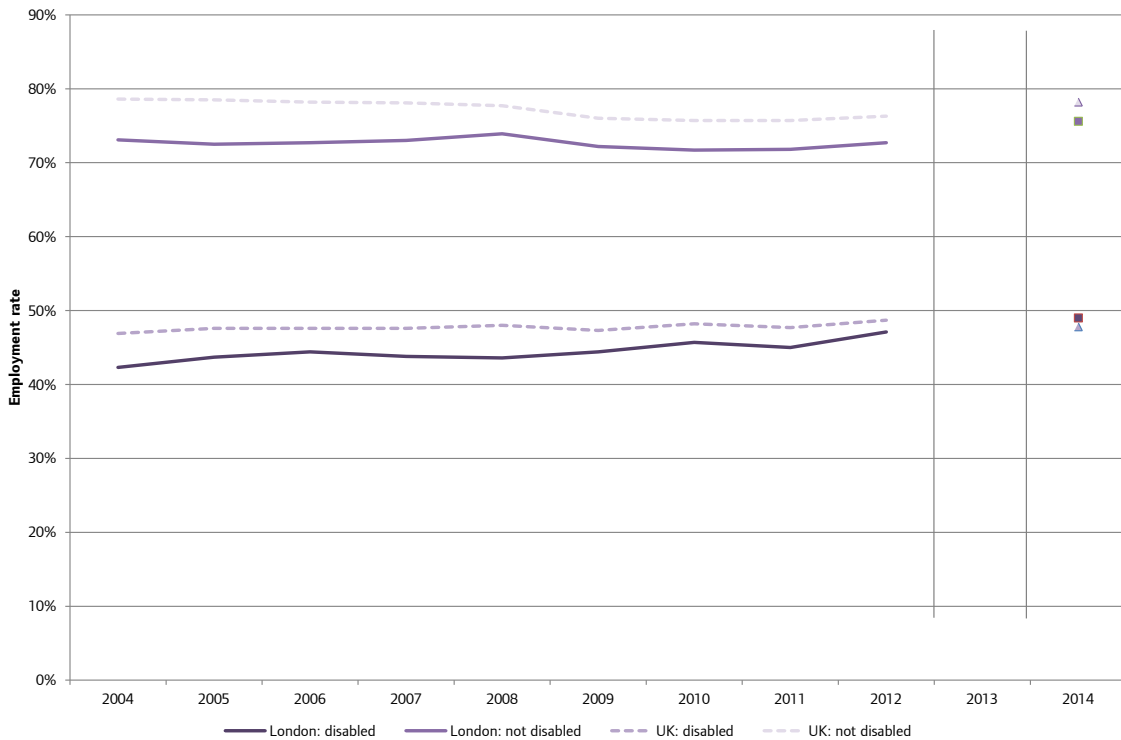
Note: January to December periods. Source: ONS Annual Population Survey and GLA Economics calculations

### Disabilities

The percentage of the working age population who were disabled<sup>49</sup> in London was estimated at 16 per cent in 2014. In comparison, approximately 19.1 per cent of people aged 16-64 were disabled across the UK.

Concurrently, the employment rates for individuals with and without disabilities for London and the UK are shown in Figure 6.56. In London, the employment rate for those with disabilities was 49 per cent in 2014, compared with 75.6 per cent for those without disabilities. Notably, the employment rate for those who were disabled was higher than that for the UK as a whole (47.8 per cent), but lower for non-disabled individuals (78.2 per cent).

**Figure 6.56: Employment rates by disability for London and the UK, 2004-2014**



Note: Data for 2004 to 2012 is based on the Disability Discrimination Act definitions, whilst data for 2014 is based on the Equalities Act definition. The two are inherently different and cannot be compared. Source: ONS Annual Population Survey

## Earnings

London's wages are higher than the UK. However, this could be a reflection of the higher cost of living in London, such as the cost of land, transport costs and higher demand for goods and services. In 2015, the mean hourly gross wage for a full-time job was £21.07 in London<sup>50</sup> which was 31.4 per cent higher than the UK (£16.03). Meanwhile, the mean hourly wage for a part-time job was £13.45 in London, compared with £11.15 for the UK.

A better measure of average earnings is the median hourly gross wage (Figure 6.57) given the structure of London's labour market where some workers are paid high wages and would therefore affect the mean. On this basis, London's median hourly wage for full-time jobs was £17.16 in 2015, which was 28.4 per cent higher than the UK (£13.36). Even for part-time roles, the hourly wage in London was 13.2 per cent higher (£9.60 versus £8.48).

**Figure 6.57: Gross median hourly earnings in London and the UK, workplace basis, 1997-2015**



Source: ONS Annual Survey of Hours and Earnings

By gender, the average (median) full-time hourly wage was £18.23 for men and £16.06 for women in London. That is a gender pay gap of 13.5 per cent. Historically, male full-time workers have been paid more than their female equivalents as illustrated in Figure 6.58, though the pay gap has reduced slightly in recent years. Moreover, since 2006, this pay gap has been larger in London than the UK as a whole. The reverse is true for part-time workers in London. The median hourly wage was £9.14 for men and £9.88 for women in 2015 – a difference of (-)8.1 per cent.

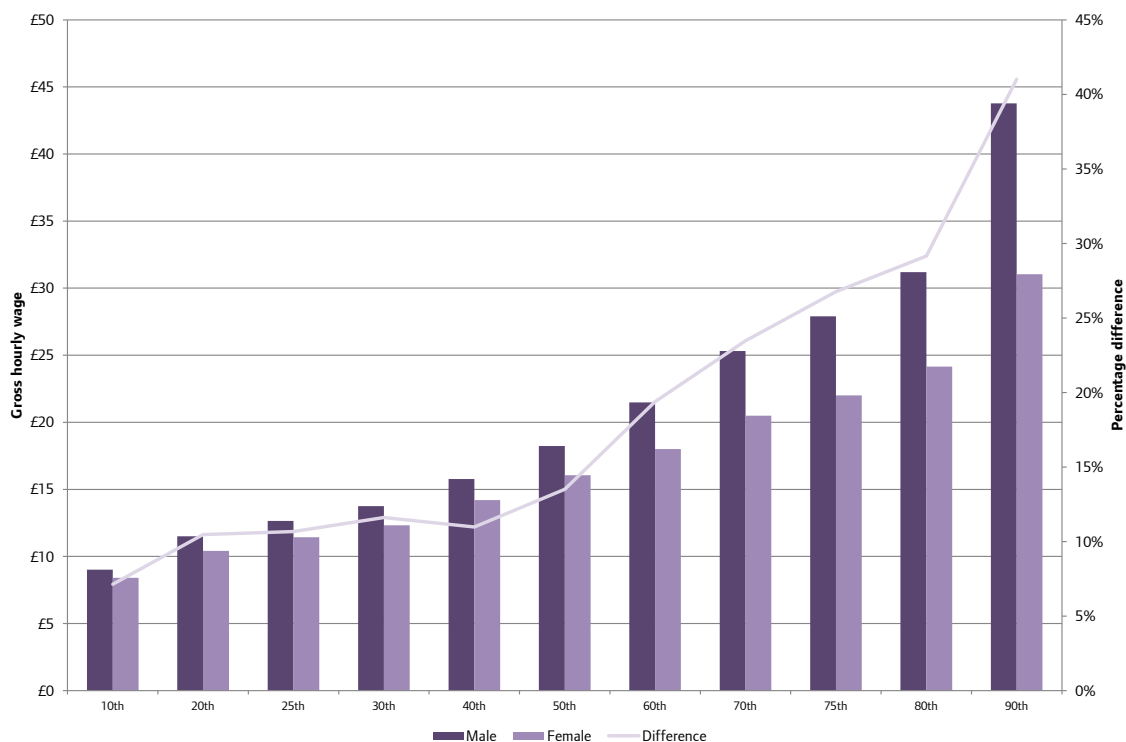
**Figure 6.58: Median pay gap between male and female workers by full-time and part-time for London and the UK, 2006-2015**



Note: A classification change in 2011 (and subsequent years) means that care should be taken when making comparison with earlier years. Source: ONS Annual Survey of Hours and Earnings

Notably, the gender pay gap is larger when looking at mean hourly wages. For example, the pay gap between male and female full-time workers in London during 2015 was 25.3 per cent for mean earnings compared with 13.5 per cent for median wages. This in part can be explained by the gender pay gap being wider at higher rates of hourly earnings of which would affect the mean. This can be seen in Figure 6.59 which plots the gross hourly earnings by wage percentile (i.e. the 75<sup>th</sup> percentile earnings show the wage earned by the person who sits three-quarters along the wage distribution when arranged from lowest to highest). For instance, the gender pay gap for full-time workers in London at the 10<sup>th</sup> percentile of earnings was 7.1 per cent in 2015, but this was 41 per cent at the 90<sup>th</sup> percentile. Moreover, London had a larger gender pay gap for high earners than for the UK as a whole – the UK pay gap at the 90<sup>th</sup> percentile was lower at 22.8 per cent.

**Figure 6.59: Pay gap between full-time male and female workers by wage percentile in London, 2015**



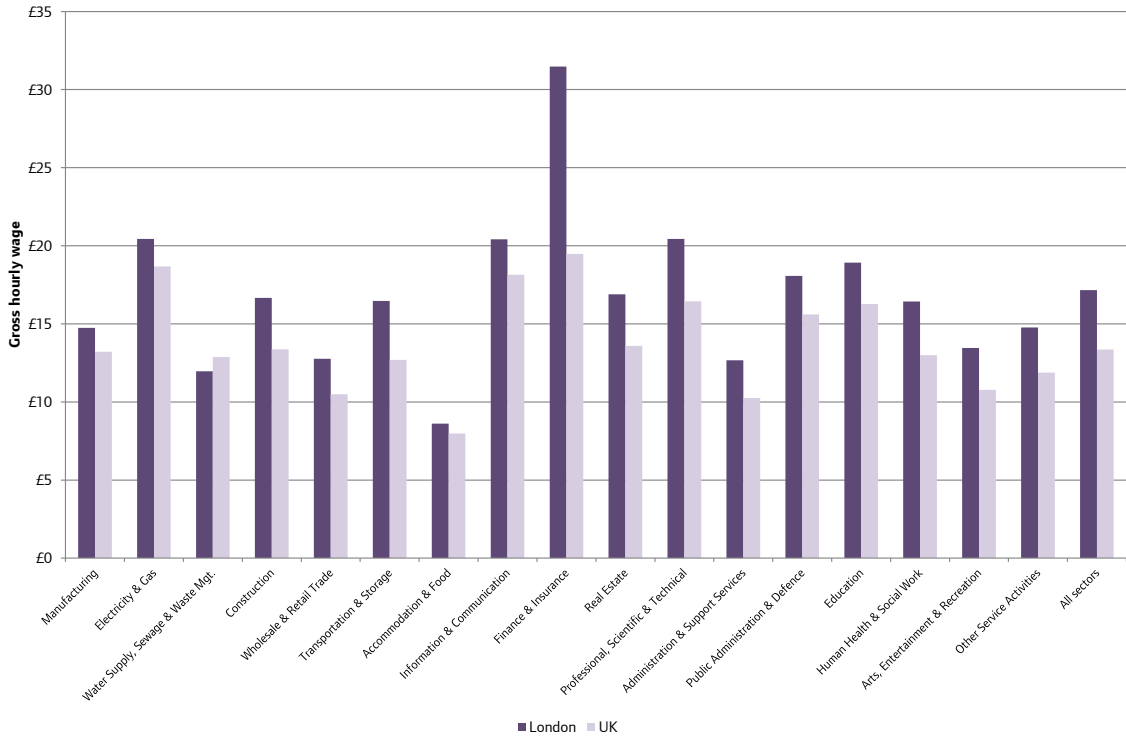
Source: ONS Annual Survey of Hours and Earnings

It should be noted that all these are 'simple' comparisons of the wage paid to men and women; it does not attempt to account for differences in characteristics between the two groups. There are a number of reasons why these 'simple' pay gaps exist. For example, factors that could potentially answer why the pay gap is larger in London compared with the UK include age, ethnicity, occupation, employment sector, hours worked and the size of the workplace, of which women are more likely to be affected than men<sup>51</sup>.

These headline earnings figures mask significant differences between London's industrial sectors as shown in Figure 6.60. This is partly a reflection of the structure of London's economy where there are significant specialisations in certain industries. For example, the median full-time wage in the Financial & Insurance sector was £31.48 in London which was 61.6 per cent larger than that for the UK (£19.48) in 2015. Other notable differences were for the Transportation & Storage (29.8 per cent) and Human Health & Social Work (26.4 per cent) sectors. There was only one industry where London had a lower wage than the UK and this was for the Water Supply, Sewage & Waste Management sector where the average wage was £11.97 in London compared with £12.88 across the UK.



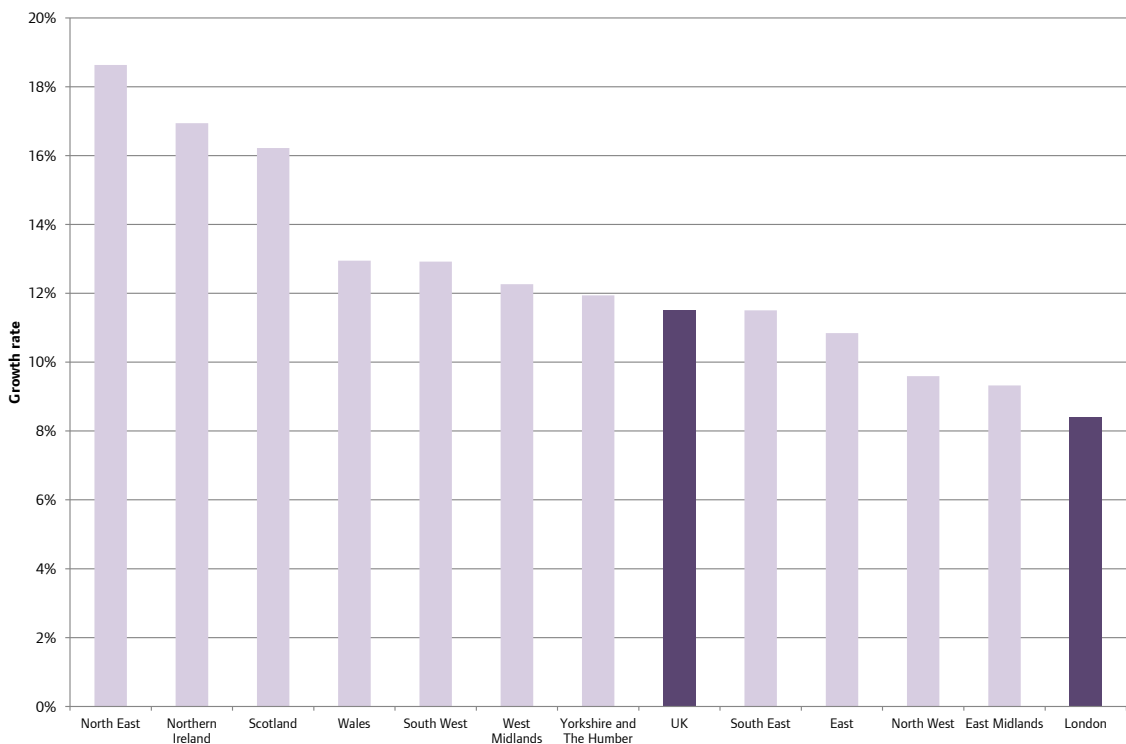
**Figure 6.60: Median gross hourly earnings for full-time jobs by sector in London and the UK, workplace basis in 2015**



Note: SIC 2007 breakdowns. Source: ONS Annual Survey of Hours and Earnings

Looking over time, the median gross hourly wage has increased 8.4 per cent between 2008 and 2015 in London. That was the slowest rate across all 12 UK regions as shown in Figure 6.61, with the average rate of growth 11.5 per cent for the UK. The same can be said when looking at the mean gross hourly wage where London’s growth rate of 5.9 per cent was slower than the UK average rate of 10 per cent.

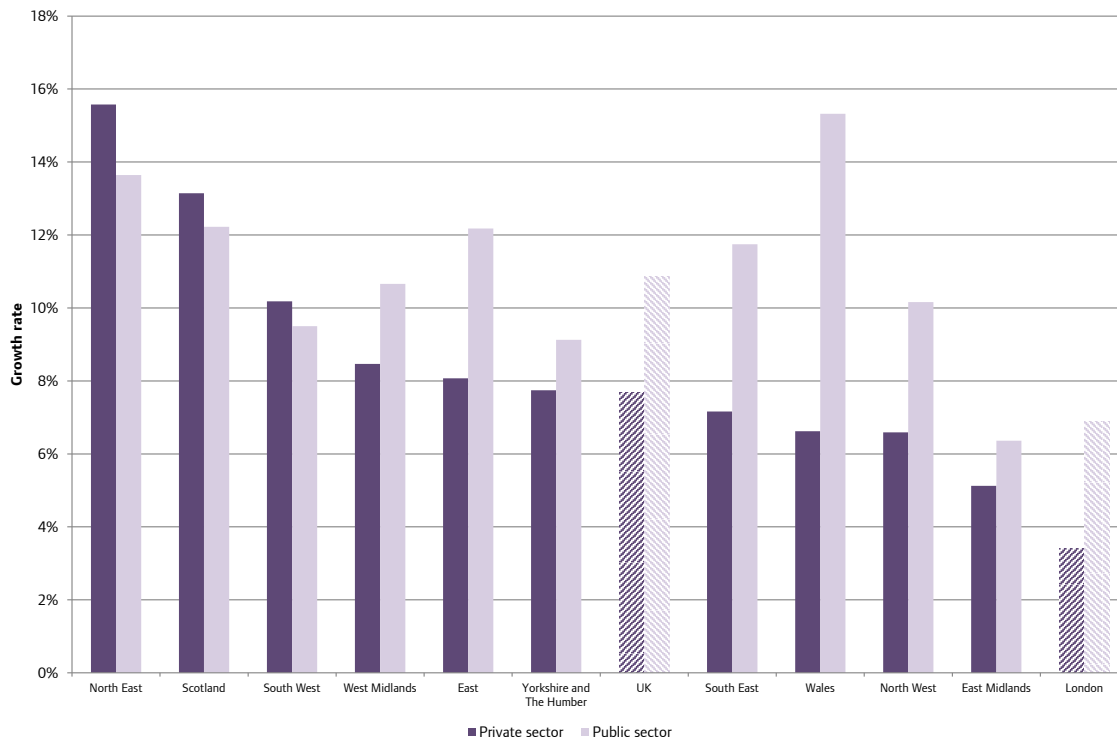
**Figure 6.61: Growth in median gross hourly earnings for full-time jobs between 2008 and 2015 by UK region, workplace basis**



Source: ONS Annual Survey of Hours and Earnings

Similar trends are observed when looking at full-time hourly wages by private and public sectors. Figure 6.62 shows the rates of wage growth for the UK regions between 2009 and 2015 (note that this is a different time period to the above analysis<sup>52</sup>). Hourly wages in London’s private sector grew 3.4 per cent over this period and was the slowest rate in the UK and, whilst hourly earnings growth in the public sector was faster at 6.9 per cent, it was nonetheless the second weakest.

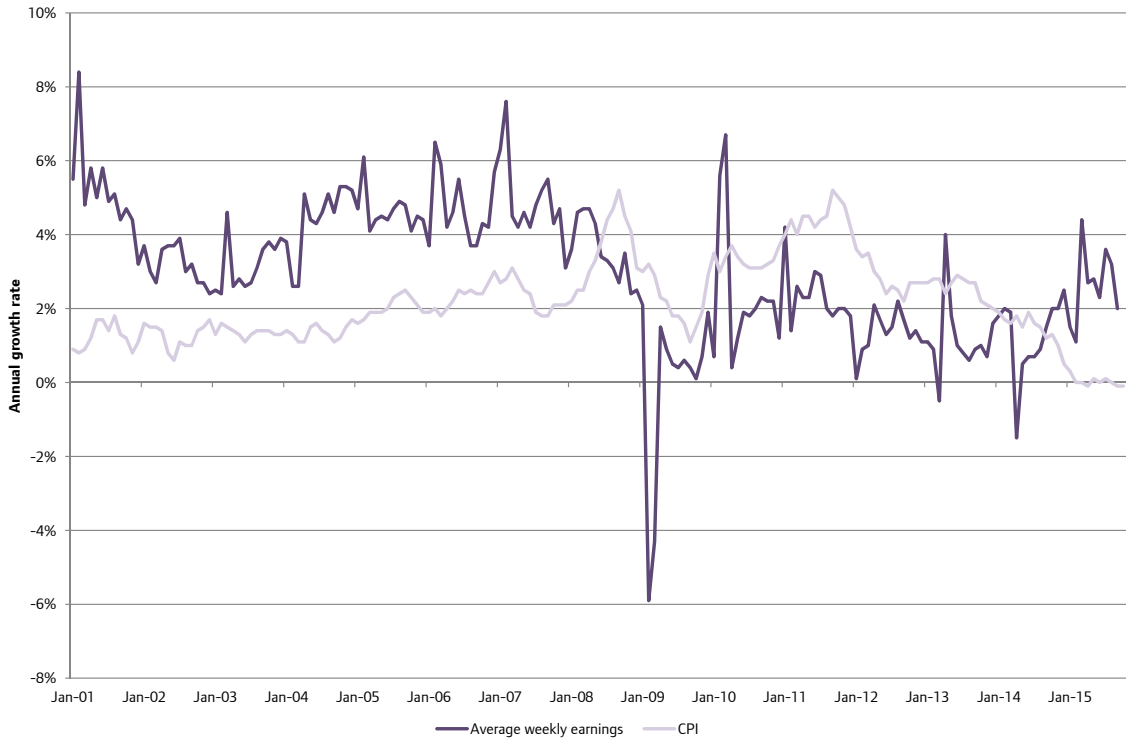
**Figure 6.62: Growth in median gross hourly earnings for full-time jobs between 2009 and 2015 by private and public sector and by UK region, workplace basis**



Source: ONS Annual Survey of Hours and Earnings

In fact, consumer prices have grown at a faster rate than average (mean) weekly wages across the UK for the majority of the 2008 and 2015 period as shown in Figure 6.63. That said, since the second half of 2014, annual average weekly earnings inflation has consistently stood above price inflation, though this is partly a reflection of record-low rates of Consumer Price Index (CPI) inflation due to falling oil prices.

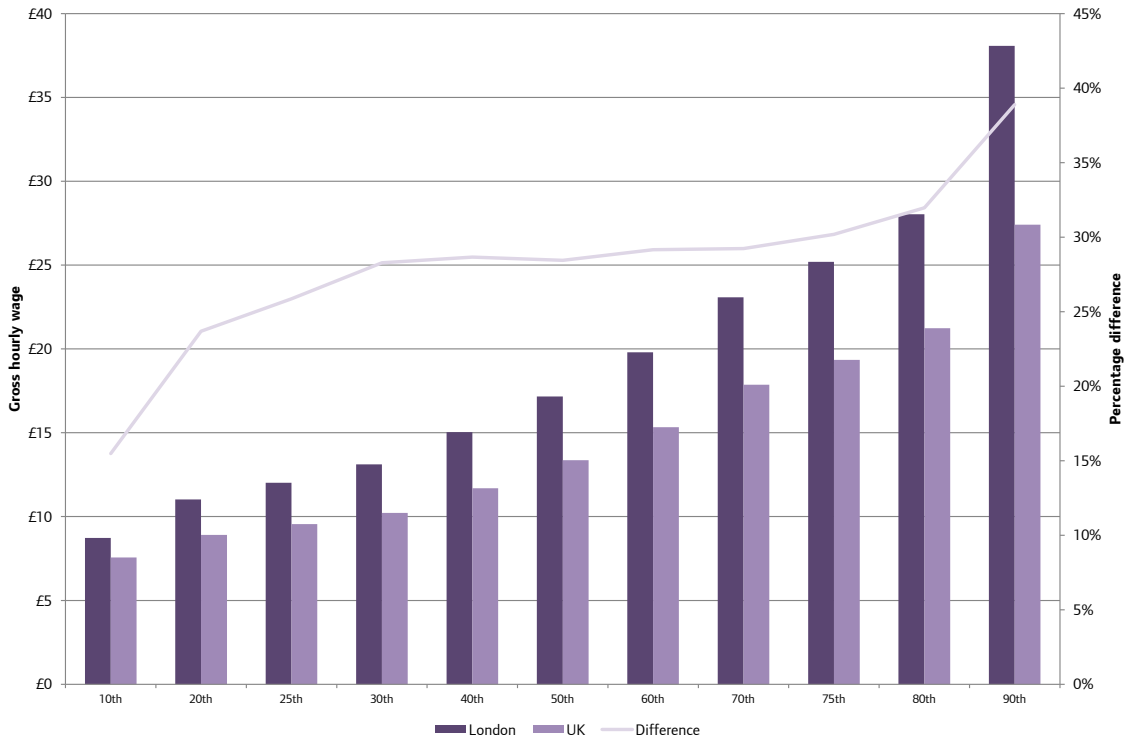
**Figure 6.63: Average (mean) weekly earnings inflation for the UK and CPI inflation, 2001-2015**



Note: AWE refers to total pay for the UK’s whole economy. Source: ONS Annual Survey of Hours and Earnings, ONS CPI

Meanwhile, Figure 6.64 shows the gross hourly wage for full-time workers by wage percentile across London and the UK. This chart shows that higher earners earn comparatively more in London than across the UK as a whole. For example, at the 10<sup>th</sup> percentile, earnings in London were 15.3 per cent higher than the UK in 2015; but at the 90<sup>th</sup> percentile, this difference was larger at 38.9 per cent.

**Figure 6.64: Average hourly earnings by wage percentiles for London and the UK in 2015**



Source: ONS Annual Survey of Hours and Earnings

Overall, the UK has seen faster wage growth than London for all wage percentiles between 2008 and 2015 (Figure 6.65). The extent to which the UK saw faster growth was greatest at the 90<sup>th</sup> percentile, though was comparably large at the lower end of the wage distribution.

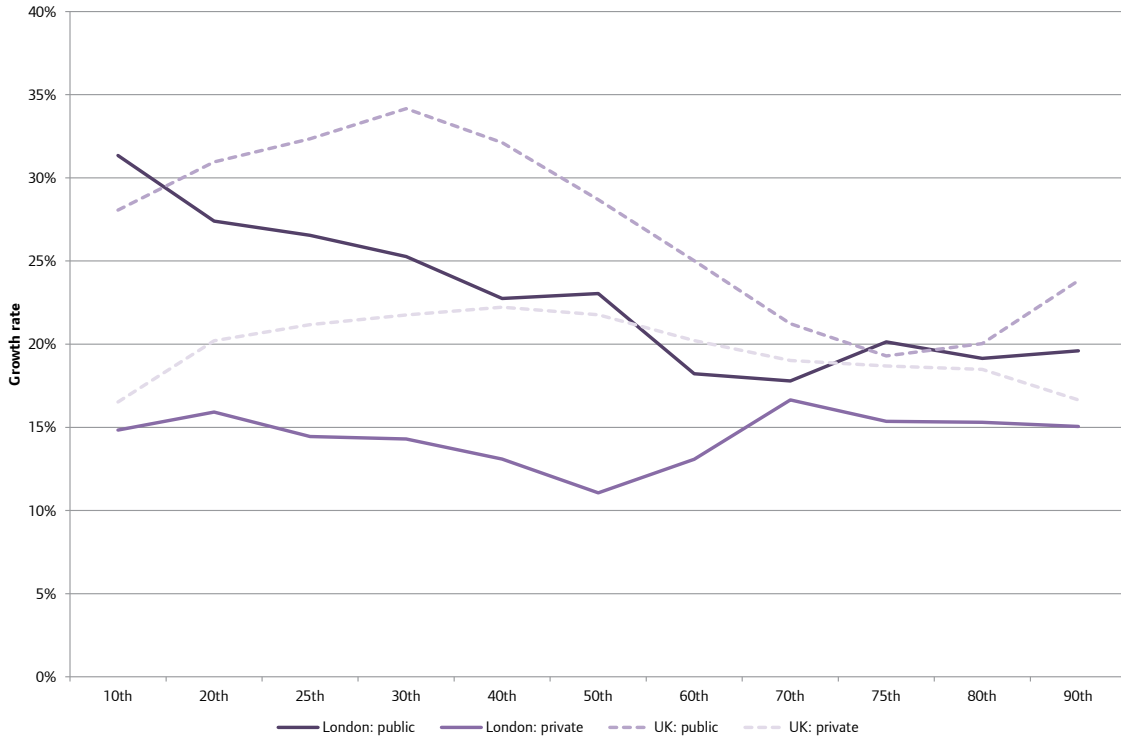
**Figure 6.65: Growth in average full-time hourly earnings between 2008 and 2015 by wage percentile for London and the UK**



Note: nominal average hourly earnings. Source: ONS Annual Survey of Hours and Earnings

This was generally the case when looking at the rates of wage growth by public and private sector as shown in Figure 6.66 (the change between 2009 and 2015). The sole exceptions were for the 10<sup>th</sup> and 75<sup>th</sup> percentiles in the public sector where London saw a stronger rate of growth than the UK as a whole. Interestingly, this chart clearly illustrates that wage growth for the lower percentiles has been stronger in the public rather than the private sector for both London and the UK.

**Figure 6.66: Growth in average full-time hourly earnings between 2009 and 2015 by wage percentile and by private and public sector for London and the UK**



Note: nominal average hourly earnings. Source: ONS Annual Survey of Hours and Earnings

### Current topics with London’s labour market

Having discussed London’s labour market characteristics and how this compares with the rest of the UK, this section will explore some of the current topics facing London including the extent of under and overemployment, the underutilisation of labour, and the changing labour market structure.

### Under and overemployment

The previous section focussed on the employment rate to characterise the labour market. However, despite being in employment some individuals want to work more hours than they are employed to do, some less. Subsequently, this section looks at underemployment and overemployment. The former describes individuals who are in work but want to work more hours either in their current job or by switching to a replacement job. In contrast, overemployment describes individuals who want to work fewer hours in their current or in a new job.

#### Box 6.3: Why are people under and overemployed?

Under and overemployment is generally caused by a mismatch of demand and supply of labour at its most basic level. That is, individuals are willing to accept jobs (such as part-time roles) that do not offer their desired amount of hours if there is no better alternative.

There are also individual factors that can explain under and overemployment. For example, individuals may be underqualified and, so whilst they may want to work more hours, they lack the qualifications and experience to do so. Another illustration is that personal circumstances, such as being close to or beyond retirement or family reasons, may mean that individuals want to work fewer hours without leaving the labour market completely.

The numbers of people who were under and overemployed in London were 388,000 and 306,000 respectively in 2014. This gives under and overemployment rates<sup>53</sup> of 9.2 per cent and 9.1 per cent, which were both below the UK readings<sup>54</sup> of 9.9 per cent and 9.7 per cent. London has historically posted lower rates than the UK as can be seen in Figure 6.67.

**Figure 6.67: Percentage of workers who were either underemployed or overemployed in London and the UK, 2006-2014**



Source: ONS Annual Population Survey

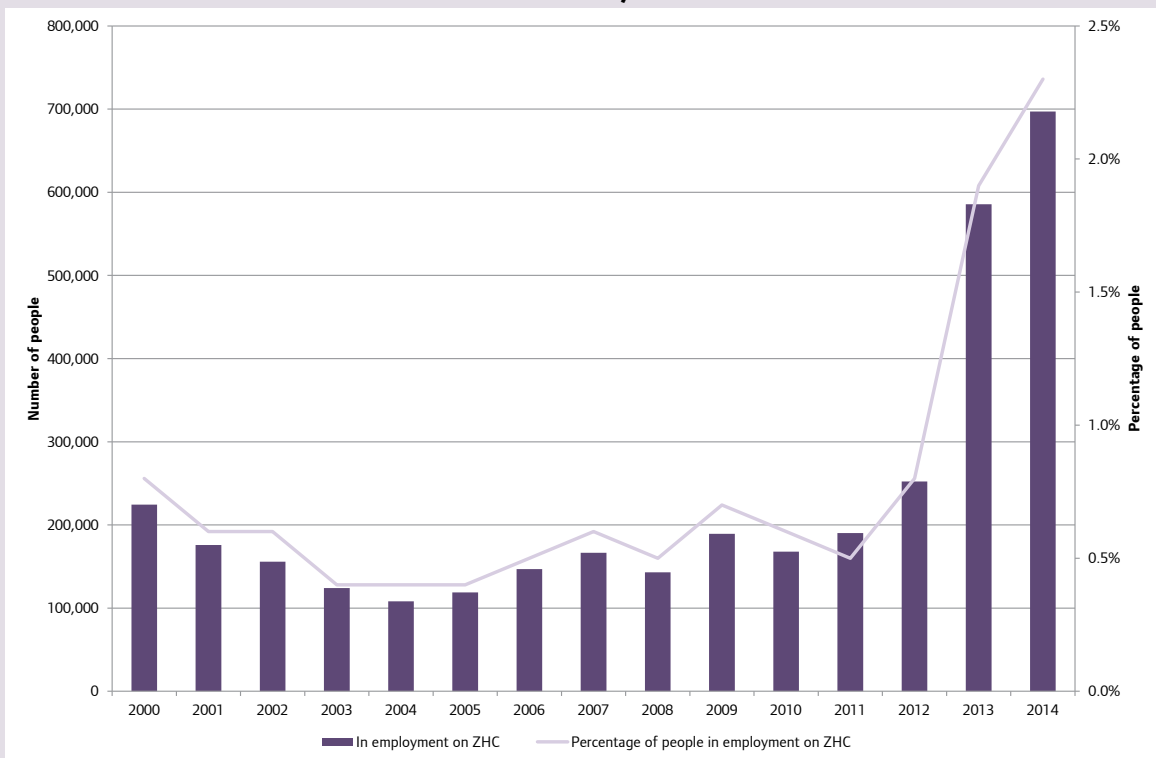
The difference between under and overemployment rates can provide an indication as to the efficiency of the labour market at meeting demands for working more and fewer hours. Focussing on London, the underemployment rate has exceeded slightly the overemployment rate in each year since 2011, with this difference peaking at 1.4 percentage points in 2013. This suggests that there has recently been net underemployment in London – that is, there are more hours demanded by workers than hours workers want to work less – which could be an indication of slack in the labour market. This net underemployment is also evident across the UK. An impact of net underemployment is that individuals are not working to their full capacity.

**Box 6.4: Does zero-hour contracts constitute underemployment?**

Zero hour contracts (ZHC) are employment contracts that offer no guarantee of a minimum number of hours<sup>55</sup>. Given their nature, it can be expected that some individuals on ZHC may be underemployed in the sense that they want to work more hours over and above what is being offered. This box provides a brief overview of the extent and characteristics of those on ZHC and discusses whether underemployment is a common issue.

ZHC were uncommon prior to the 2008-09 recession, but it was during the recovery that there has been a sharp rise particularly during 2012 and 2014 (Figure 6.68). However, despite these increases, the number employed on a ZHC was 744,000 in the three months to June 2015 and accounted for less than 2.5 per cent of all employment in the UK. In London, there were approximately 96,000 people on ZHC, equivalent to 2.2 per cent of all those in employment.

**Figure 6.68: Zero-hour contracts rate across the UK, 2000-2014**

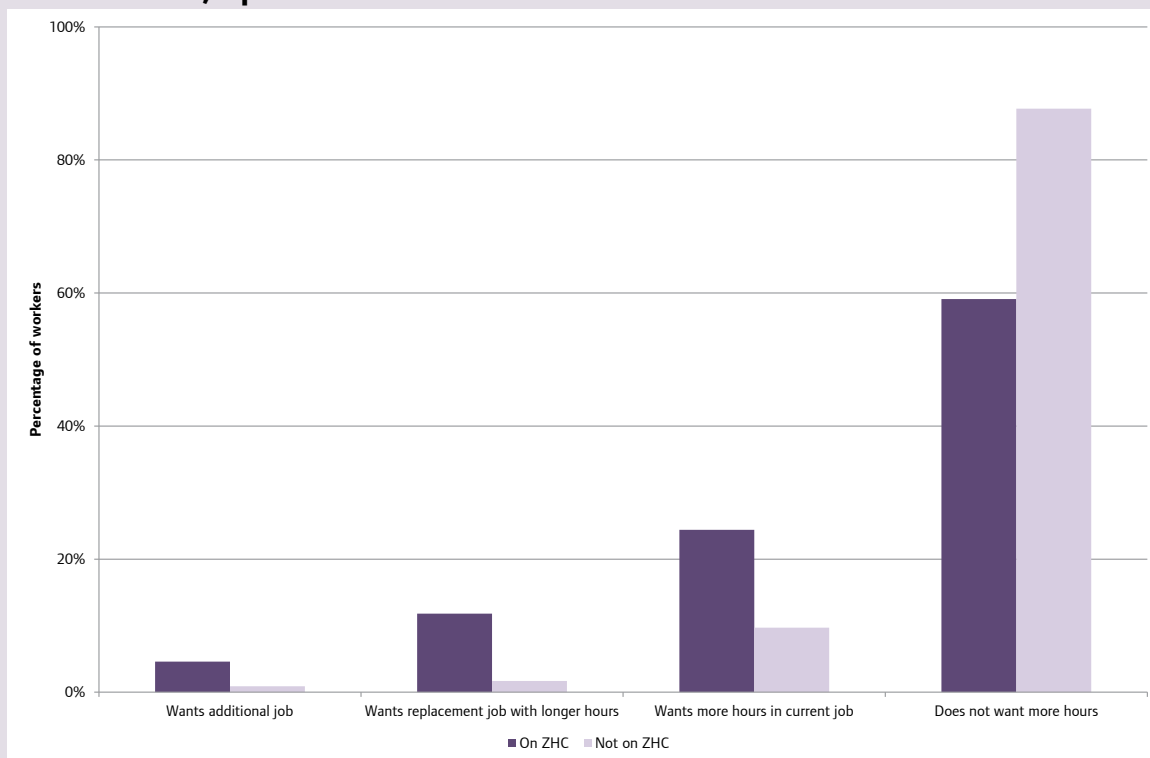


Note: October to December periods. Source: ONS Labour Force Survey

People on ZHC were more likely to be female, in full-time education or in young or older age groups (ONS, (2015), Contracts with no guaranteed hours, employer contracts that do not guarantee a minimum number of hours, 2015 update). Moreover, employees on ZHC were more likely to be working in the Admin & Support Services, Accommodation & Food and Health & Social Work sectors.

Notably, two-in-five (40.9 per cent) workers on ZHC wanted to work more hours in April to June 2015 (Figure 6.69). The comparable figure for all types of employment (whether or not they are ZHC) was 12.3 per cent. This suggests that underemployment is higher among ZHC workers than non-ZHC employees, though this could partially be due to more ZHC being part-time workers.

**Figure 6.69: Percentage of workers on zero-hour contracts that are looking for another job or more hours in the UK, April to June 2015**



Note: April to June period. Source: ONS Labour Force Survey

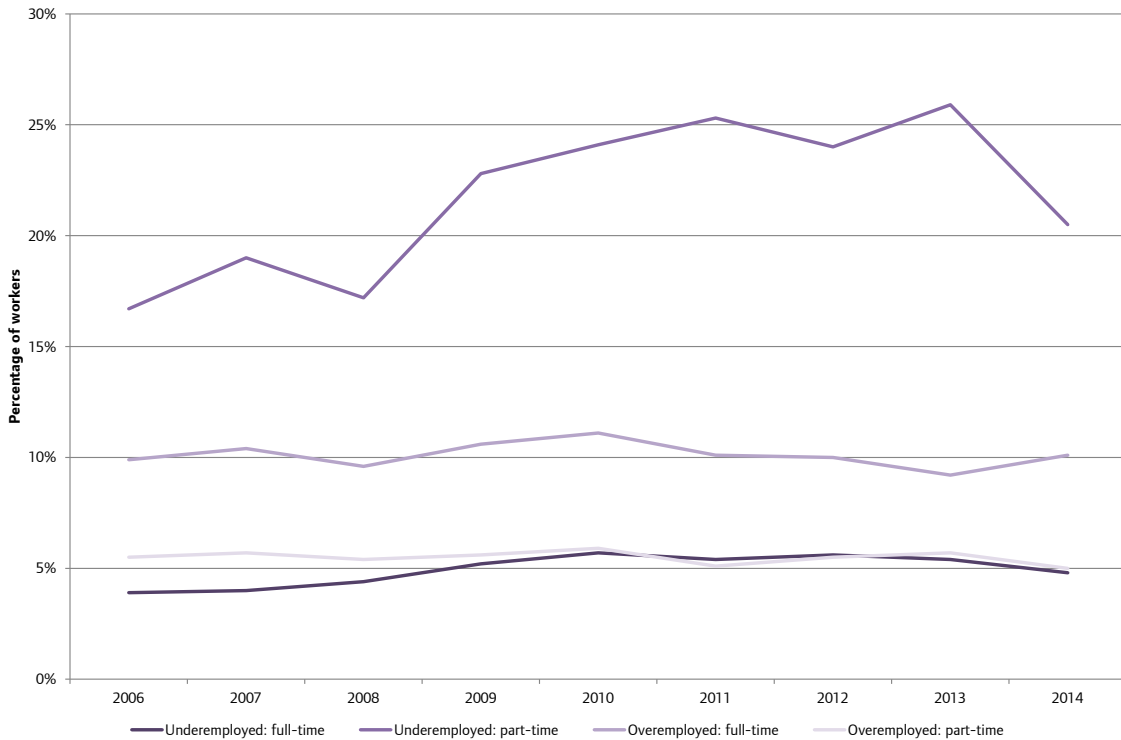
Most individuals who were underemployed in London wanted to work more hours in their current role (69.1 per cent), though 18.7 per cent wanted a new job and 12.3 per cent wanted an additional job in 2014. On average, underemployed people wanted to work an additional 12.2 hours a week (up from 11.7 hours in 2008), which was more than the UK average of 11.3 hours.

Similarly, most overemployed people in London wanted to work less hours in their current job (92.1 per cent) and work on average 11.2 hours less each week. That was on par with the UK average, though down from 11.4 hours in 2008.

Underemployment was more prevalent for part-time workers in London. Around one-fifth of part-time workers were underemployed in 2014, having fallen from a peak of 25.9 per cent in 2013 (Figure 6.70). The proportion of full-time workers who were underemployed also increased during the 2008-09 recession, but has since fallen to a six-year low of 4.8 per cent. The reverse is true for overemployment in that full-time workers were more likely to be overemployed (10.1 per cent in 2014) and this trend has been broadly stable since 2006.



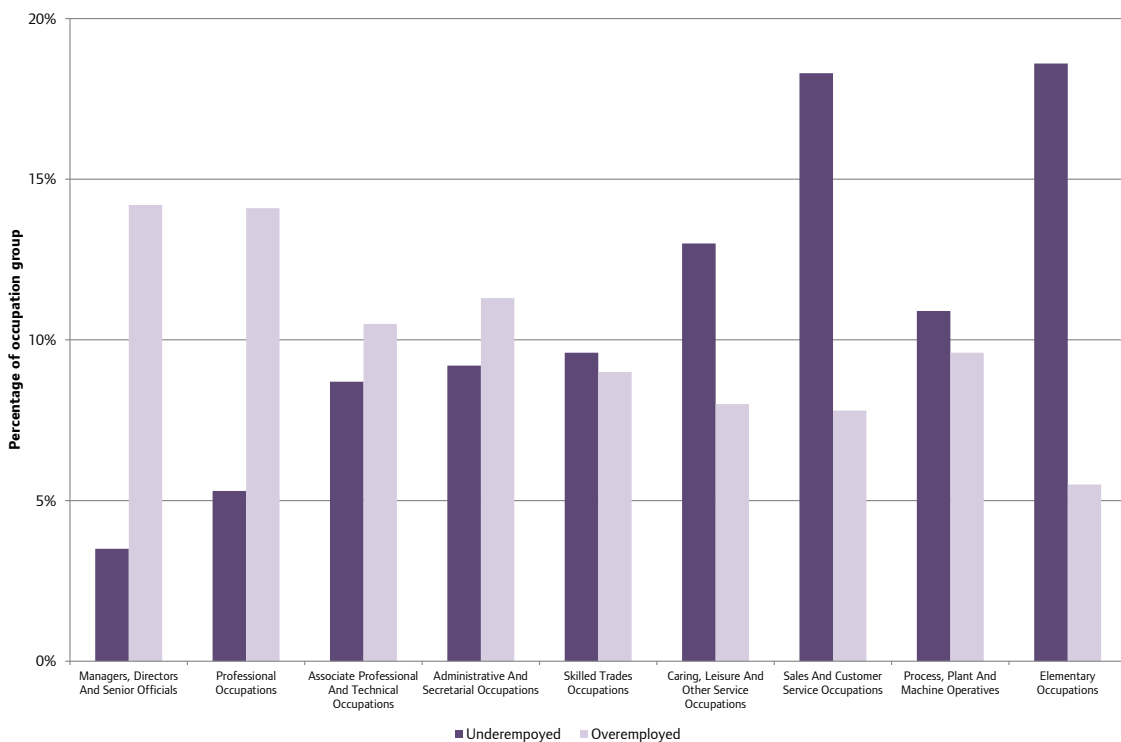
**Figure 6.70: Percentage of full-time and part-time workers that were either underemployed or overemployed in London, 2006-2014**



Source: ONS Annual Population Survey

By occupation, underemployment was most common in Elementary (18.6 per cent) and Sales & Customer Service (18.3 per cent) roles as shown in Figure 6.71. However, again, the reverse is true for overemployment where Managers, Directors & Senior Officials (14.2 per cent) and Professional (14.1 per cent) occupations had the highest proportion of workers who wanted to work fewer hours.

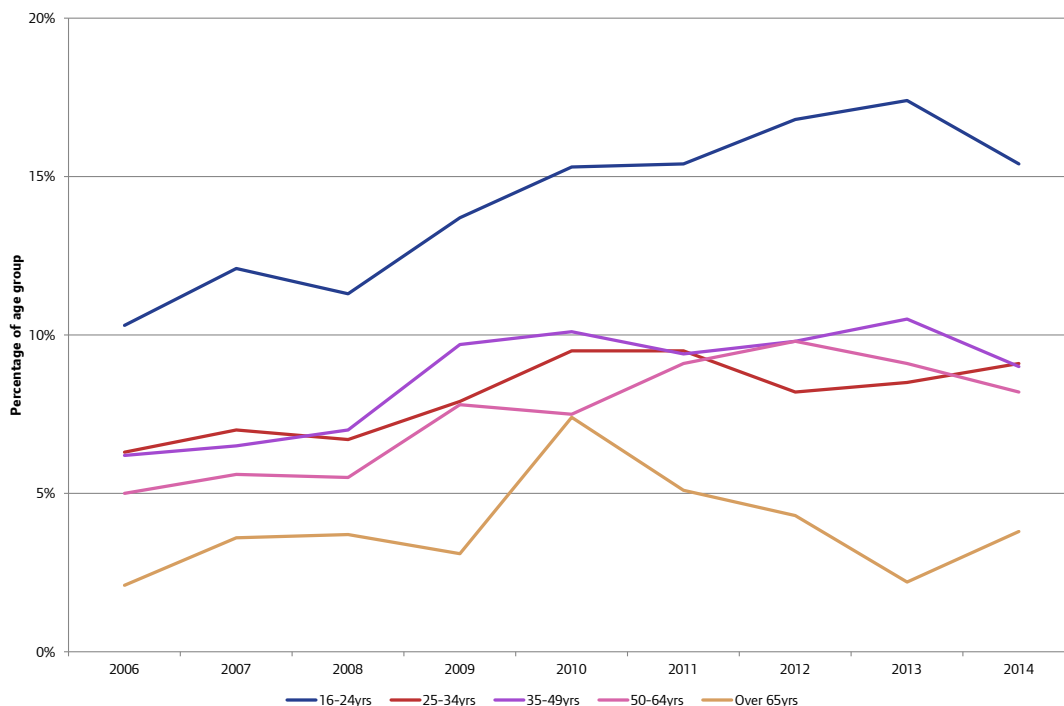
**Figure 6.71: Percentage of each major occupations grouping that were either underemployed or overemployed in London, 2014**



Source: ONS Annual Population Survey

Figures 6.72 and 6.73 show the percentages of each age group that were underemployed in London over time. The 16-24 years group historically had the highest concentration of underemployed workers, with this at 15.4 per cent in 2014. In comparison, the lowest underemployment rate was recorded for the over 65 years group at just 3.8 per cent. That said, all age groups had seen an increase in the proportion of underemployed workers since 2006, though the largest rise was for the 16-24 years group.

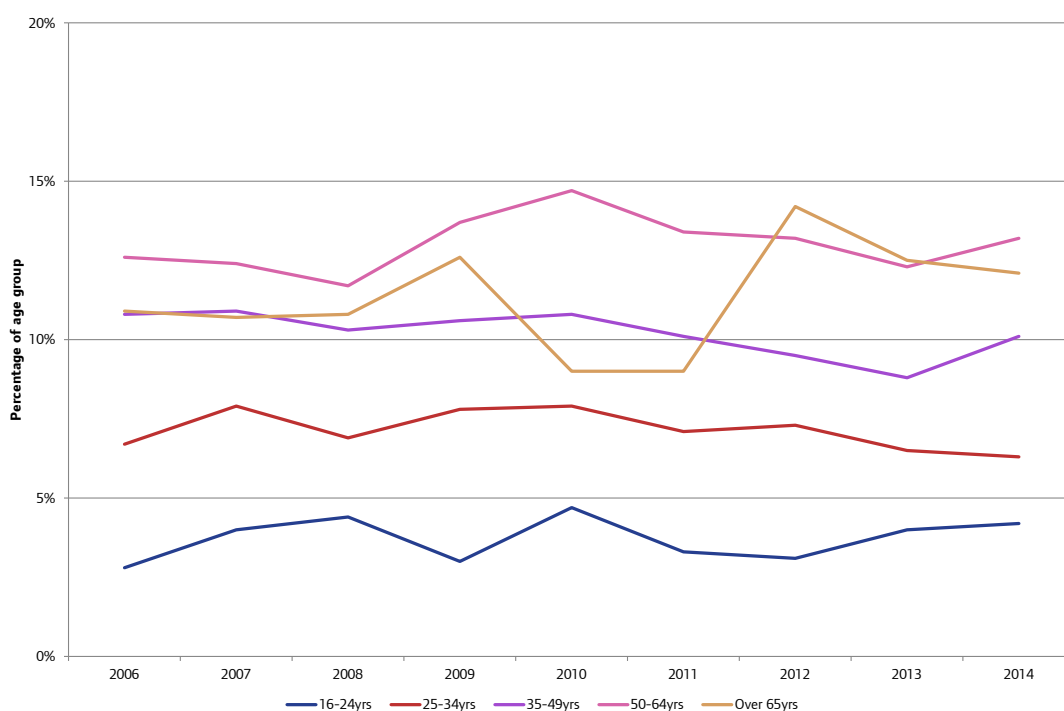
**Figure 6.72: Percentage of each age grouping that were underemployed in London, 2006-2014**



Source: ONS Annual Population Survey

Meanwhile, the 50-64 years and over 65 years groupings had the highest proportion of overemployment at 13.2 per cent and 12.1 per cent respectively in 2014. In particular, the over 65 years category had seen the percentage of overemployed workers rise from 10.9 per cent in 2006.

**Figure 6.73: Percentage of each age grouping that were overemployed in London, 2006-2014**

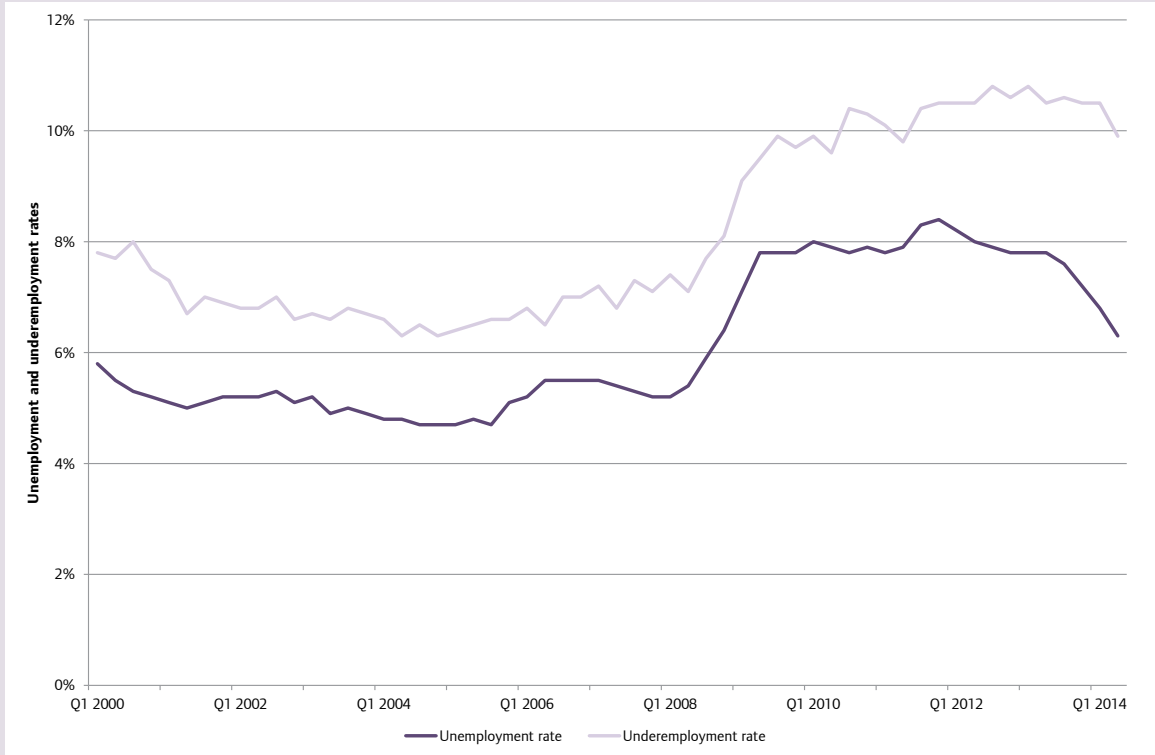


Source: ONS Annual Population Survey

**Box 6.5: A comparison between unemployment and underemployment**

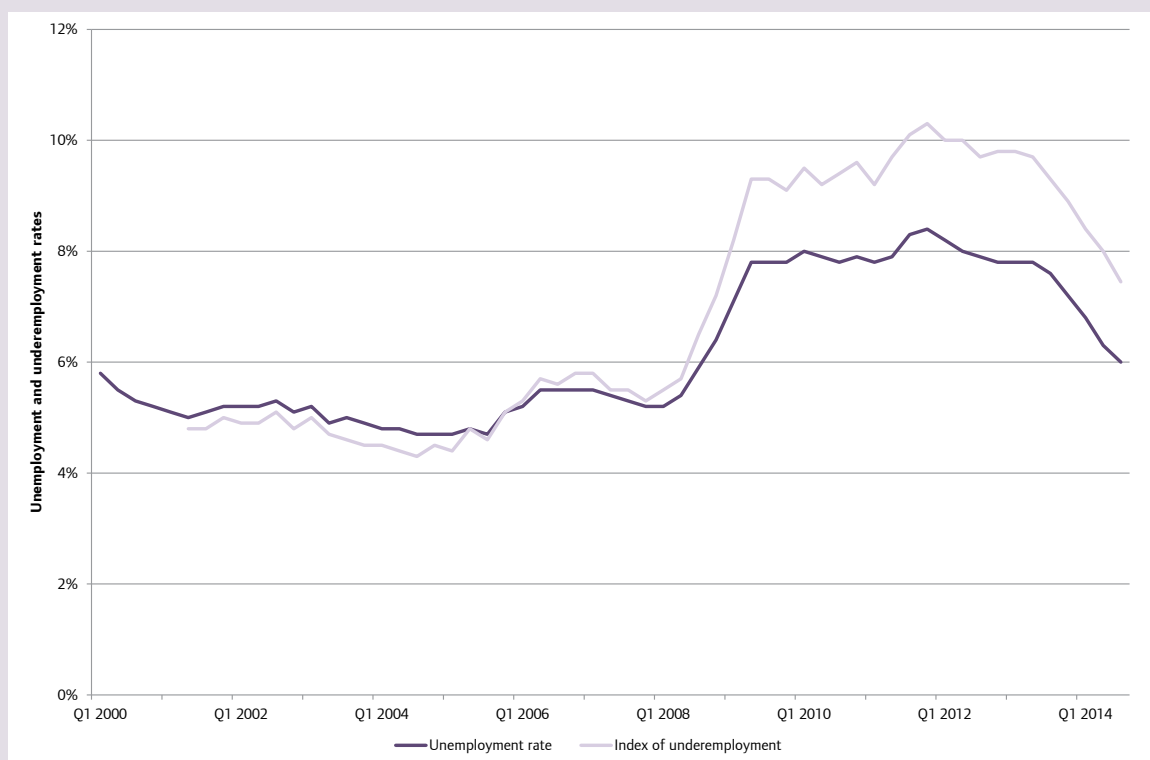
A simple comparison between the two rates calculated by ONS is shown in Figure 6.74. Underemployment has historically been higher than unemployment and, in fact, the difference between the two has been increasing since the second-half of 2011. The latest estimates for which a comparison can be made is for the three months to June 2014. During this period, unemployment across the UK was reported at 6.3 per cent, whilst comparably the underemployment rate was 9.9 per cent – a difference of 3.6 percentage points.

**Figure 6.74: Underemployment and unemployment rates for the UK, 2000-2014**



Notes: quarterly periods. Source: ONS Labour Force Survey

One potential issue with the underemployment rate used above is that it merely counts the number of workers who want more hours (as a percentage of total number of workers), but this does not take into consideration the extent of excess capacity in terms of both the number of jobs and hours. Alternatively, Bell & Blanchflower constructed an index of underemployment which takes into account the number of hours workers say they want to work<sup>56</sup>. This is presented in Figure 6.75 and shows that unemployment and underemployment were closely matched between 2001 and 2008. However, since then, there has been a much larger divergence of which the authors attributed to increasing numbers of workers wishing to work more hours and a fall in the number wishing to work less. This suggests that there is spare capacity in the labour market and any increase in demand for workers can be met internally (i.e. employers could offer existing workers more hours to avoid recruitment costs) and a reduction in unemployment would be harder to achieve.

**Figure 6.75: Index of underemployment and unemployment rate for the UK, 2001-2014**

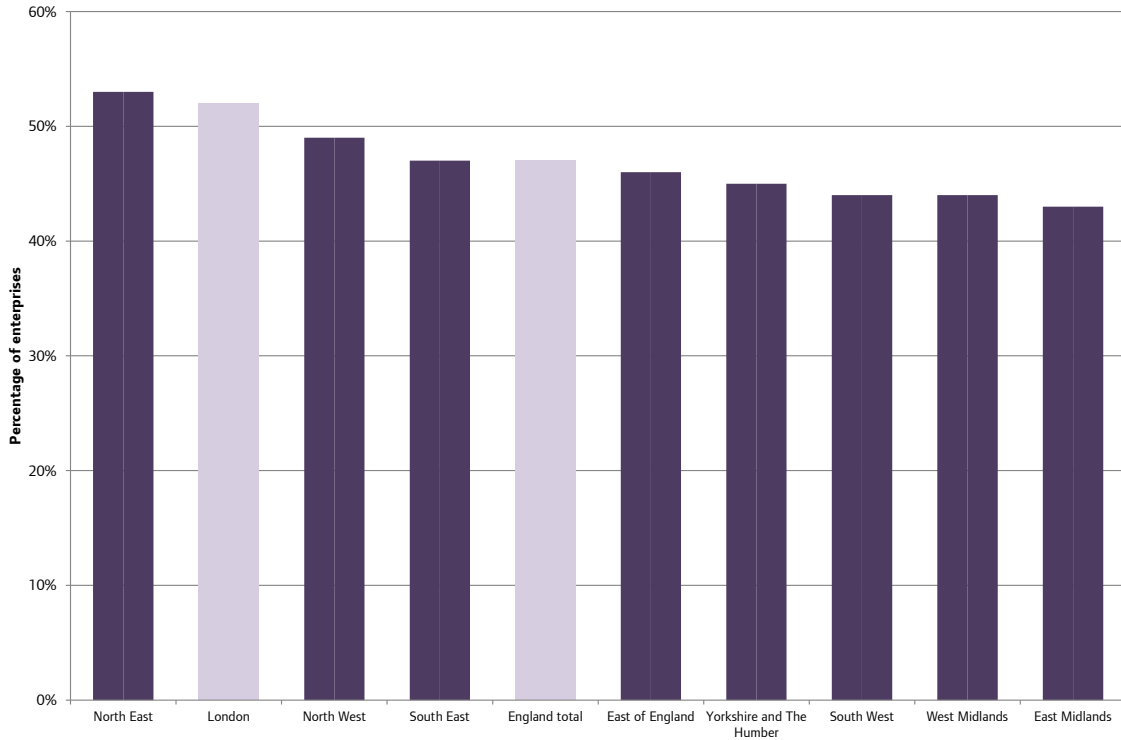
Notes: quarterly periods. Source: ONS Labour Force Survey, Bell & Blanchflower

### Underutilisation of labour

Another aspect of the labour market is whether the skills of employees are being fully utilised in their role. In 2013, 47 per cent of employers reported skills that were under-used by employees in England according to the UKCES Employer Skills Survey. There was no significant difference between firms of different sizes, but there was greater variance across different sectors. For example, reports of underutilisation was highest in the Hotels and Restaurants sector at 59 per cent, whilst the lowest were generally recorded in the primary and manufacturing sectors such as Agriculture at 36 per cent.

Noticeably, underutilisation was more acute in London with 52 per cent of employers reporting staff skills that were under-used. That was the second-highest rate among the nine English regions (Figure 6.76). Therefore, this section will investigate two potential explanations for why underutilisation is more common in London than England as a whole, namely whether this is affected by the higher proportions of both migrant and young workers.

**Figure 6.76: Proportion of enterprises reporting underutilisation of staff skills by English region, 2013**



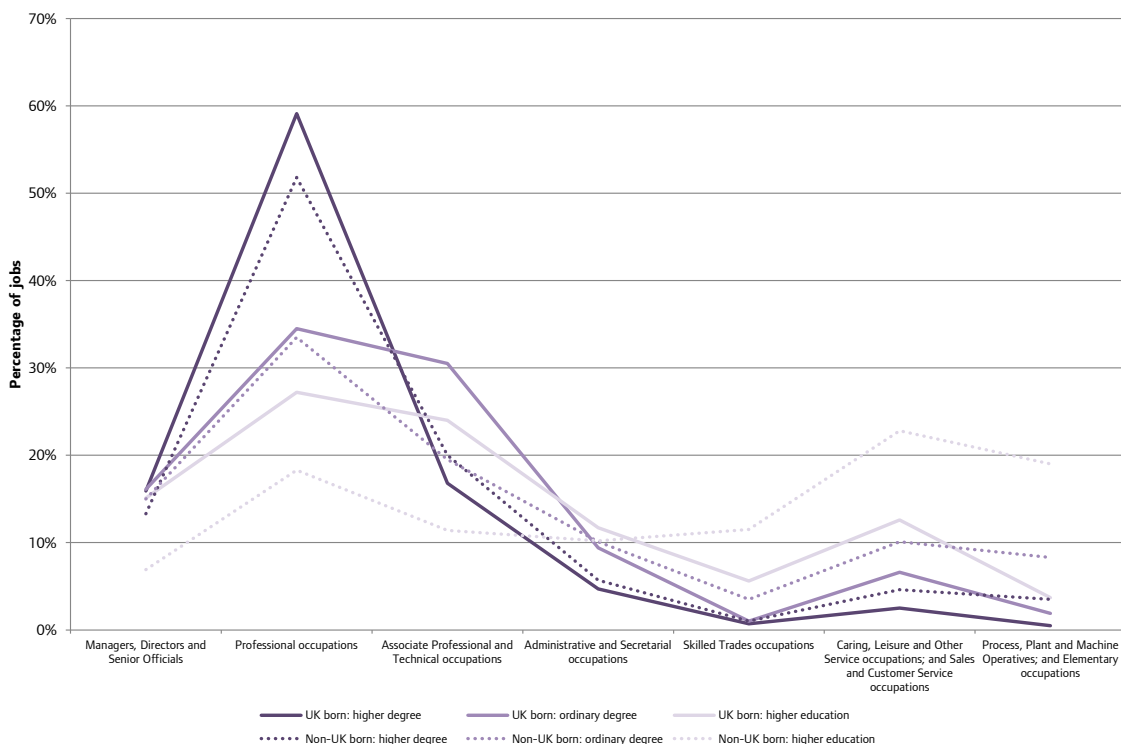
Source: UK Commission’s Employer Skills Survey 2013 Underutilisation of migrant workers

*Underutilisation of migrant workers*

One potential explanation for why underutilisation of skills is more prevalent in London compared with the UK could be due to migrant workers, of which London has a higher proportion than the UK. This can be assessed by comparing qualifications with occupations for both UK born and non-UK born employees working in London. However, there are some caveats with such simplistic analysis. For example, it does not take into consideration years in the labour market and the experience this brings. Similarly, it does not consider where individuals were educated as it could be possible that some non-UK born workers were educated and now work in the UK.

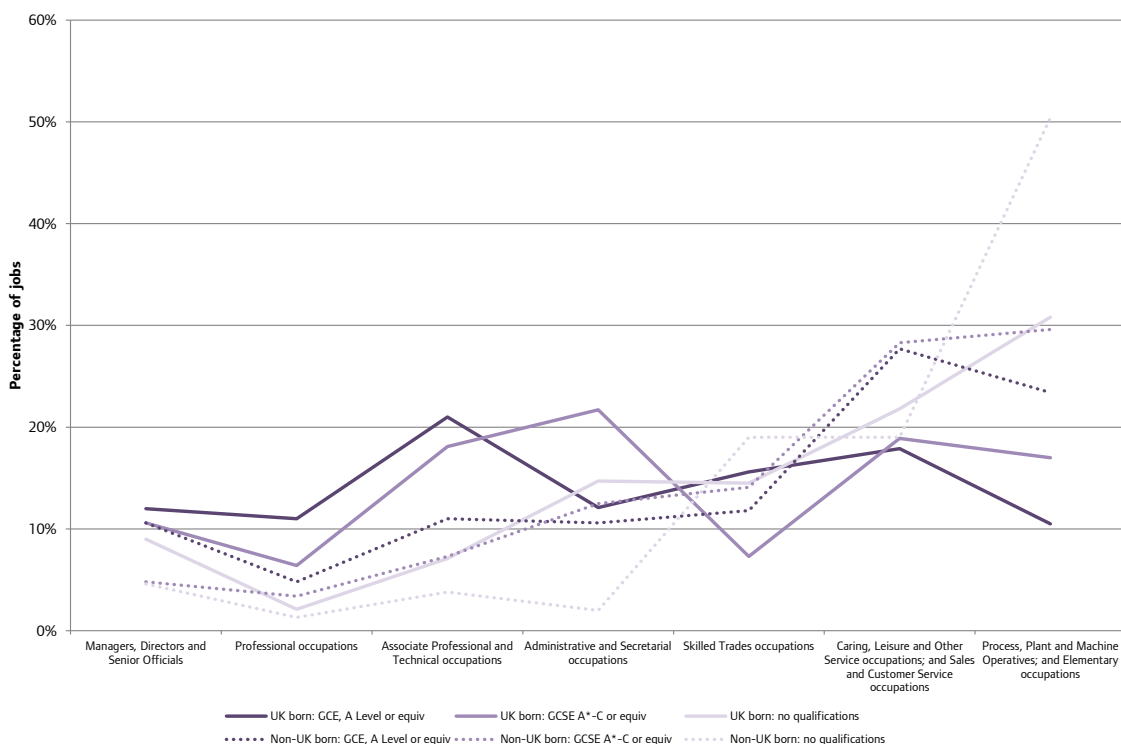
Acknowledging the above points, Figures 6.77 and 6.78 plots the percentage of employees by occupation for each qualification using data from the ONS Annual Population Survey for 2014. The first chart is for workers whose highest qualification is higher education, ordinary degree or higher degree and these employees are unsurprisingly more likely to be in professional and management occupations. However, it can clearly be seen that non-UK born workers are less likely than their UK born counterparts to be in these skilled occupations (and instead more likely to be in less skilled occupations) suggesting that the skills of migrant workers are underutilised. Moreover, this trend is evident across different highest qualification levels including those with school education or even no qualifications as shown in the second chart.

**Figure 6.77: Percentage of jobs in London by occupation, highest qualification and country of birth of job holder, 2014**



Source: ONS Annual Population Survey

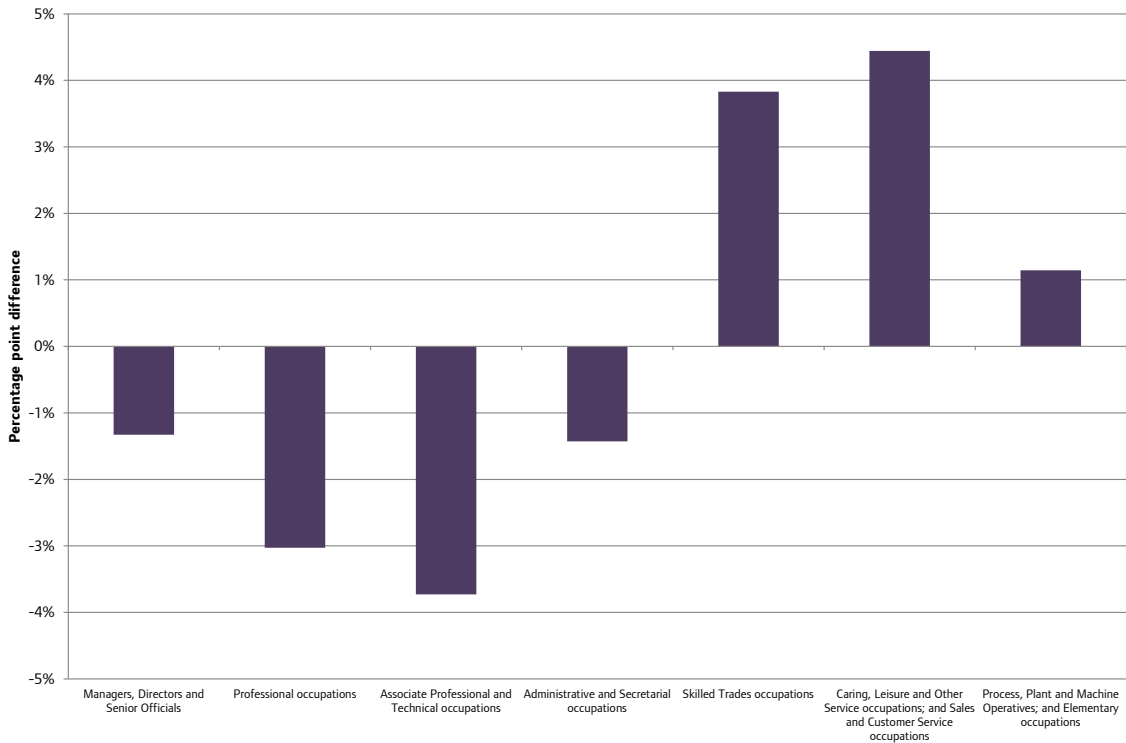
**Figure 6.78: Percentage of jobs in London by occupation, highest qualification and country of birth of job holder, 2014**



Source: ONS Annual Population Survey

The same analysis can be conducted for workers across the rest of the UK (excluding London) and similarly suggests an underutilisation of migrant workers compared with domestic employees. Indeed, this mismatch – that is, the difference between the proportion of workers by occupation and highest qualification for the UK born and non-UK born workers – is to a greater extent in London than the rest of the UK. For example, Figure 6.79 shows that, on average across all qualification levels, migrant workers were less likely to be in high-skilled occupations in London than the rest of the UK, but more likely to be in low-skilled occupations.

**Figure 6.79: Difference between percentage of jobs by occupation, highest qualification and country of birth of job holder for London and the rest of the UK, 2014**



Source: ONS Annual Population Survey, GLA Economics calculations

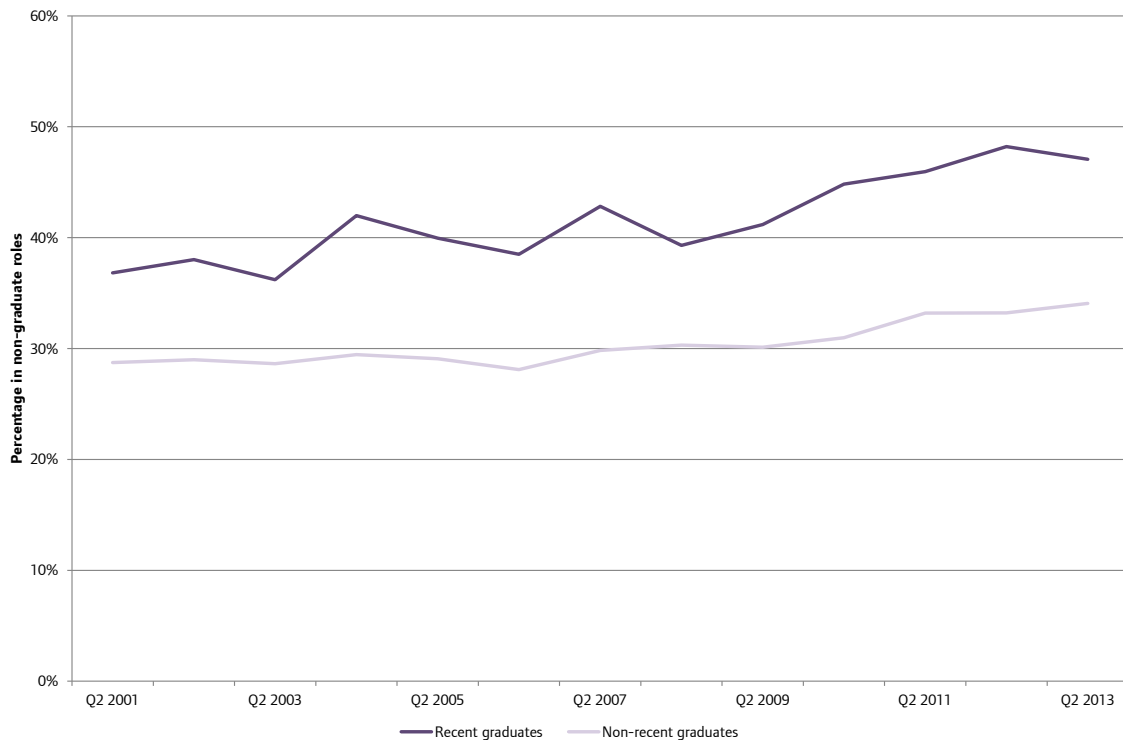
There are several explanations as to why migrant workers are underutilised in terms of their skills. The ESRC Centre on Migration suggested that this could be due to employers not recognising the value of overseas qualifications, but noted that this effect could decrease over time<sup>57</sup>. Rosso alternatively propositioned that the issue could be due to the lower quality of overseas qualification and the poor transferability of knowledge<sup>58</sup>. Meanwhile, Stirling suggested that pay differentials between country of origin and the destination country can partly explain the greater willingness of migrants to work in lower-level jobs<sup>59</sup>.

*Underutilisation of graduates*

A similar argument can be made for graduates where some may be working in positions that do not necessarily require higher education. For example, the Chartered Institute of Personnel and Development found that 58.8 per cent of graduates in the UK were in non-graduate roles, which was one of the highest rates among EU countries (CIPD (2015), Over-qualification and skills mismatch in the graduate labour market, Policy review, August 2015).

Indeed, analysis by the ONS showed that the percentage of recent graduates across the UK who were in non-graduate roles had increased from 36.8 per cent in Q2 2001 to 47.1 per cent in Q2 2013 (Figure 6.80) (ONS (2013), Graduates in the UK labour market, 2013). The same trend can be seen for those who graduated more than five years previously (non-recent graduates), rising from 28.7 per cent to 34.1 per cent.

**Figure 6.80: Percentage of recent graduates and non-recent graduates in non-graduate roles across the UK, 2001-2013**



Notes: April to June quarters. Non-recent graduates are individuals who left full-time education more than five years from the survey date. Source: ONS Labour Force Survey Persons Datasets

More recent data is shown in Table 6.10 for the UK as well as for London. The first thing to note is that the extent of graduates working in non-graduate roles is less acute in London compared with the UK. The second thing is that, whilst the percentage of recent graduates in non-graduate roles has dropped since 2011, the proportion of non-recent graduates has increased.

**Table 6.10: Percentage of recent and non-recent graduates in non-graduate roles in London and the UK, 2011-2014**

Year	London		UK	
	Recent graduates	Non-recent graduates	Recent graduates	Non-recent graduates
2011	42.4%	28.7%	47.4%	32.6%
2012	42.8%	29.5%	48.8%	33.3%
2013	41.4%	31.4%	47.2%	33.7%
2014	41.6%	31.7%	46.7%	34.2%

Notes: January to December periods. Non-recent graduates are individuals who left full-time education more than five years from the survey date. Source: ONS Annual Population Survey

There can be a number of explanations for why a large proportion of graduates were in non-graduate roles and remained so after five years (i.e. non-recent graduates). For example, CIPD argued that this was due to growth in graduates exceeding growth in graduate roles as indicated by the pick-up following the 2008-09 recession where job vacancies would arguably be lower.

However, CIPD noted that the presence of graduates being in non-graduate roles does not necessarily mean an underutilisation of graduates' skills<sup>60</sup>. Instead they suggested that non-graduate roles may have been upgraded to better utilise their skills, or that graduates have similar skills to non-graduates with sufficient work experience.

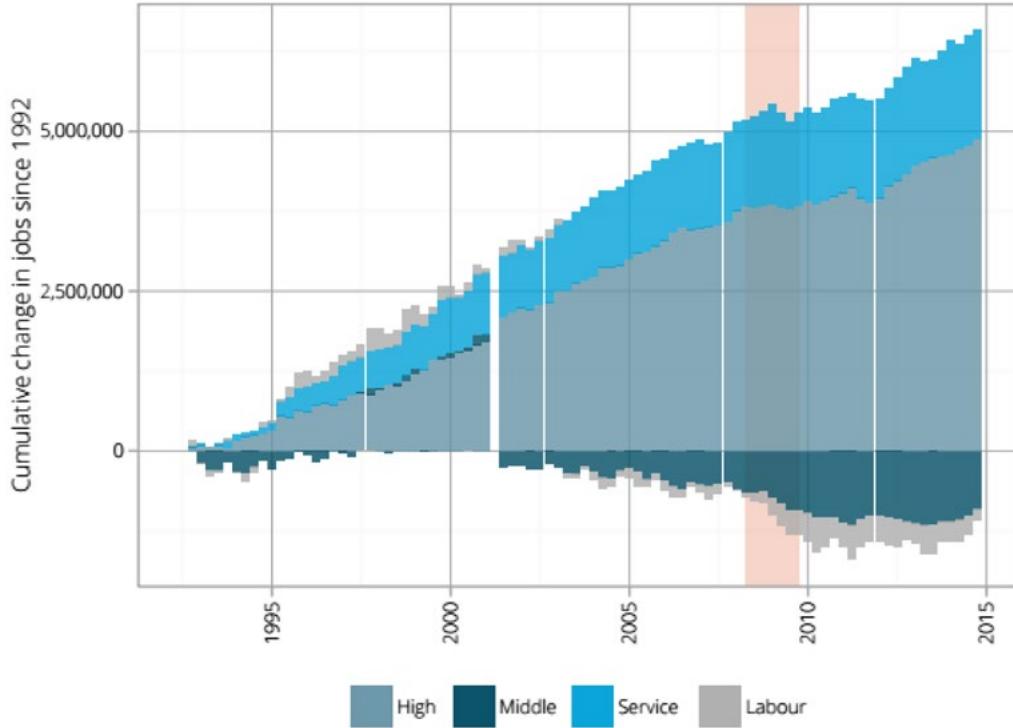
### The changing labour market structure

Figure 6.81 shows the UK labour market's occupation structure since 1992. Generally, there has been an increase in high-skilled and service-intensive roles over time, but a decline in middle-skilled and



labour-intensive positions<sup>61</sup>. This trend was emphasised by the 2008-09 recession where job losses were concentrated in middle-skilled and labour-intensive roles, whilst the recovery since has been mostly in high-skilled and service-intensive jobs. For example, between Q1 2008 and Q4 2014, the number of high-skilled and service-intensive jobs across the UK had increased by 1.3m and 0.3m respectively, whilst declines of 0.5m and 0.2m were recorded for middle-skilled and labour-intensive roles.

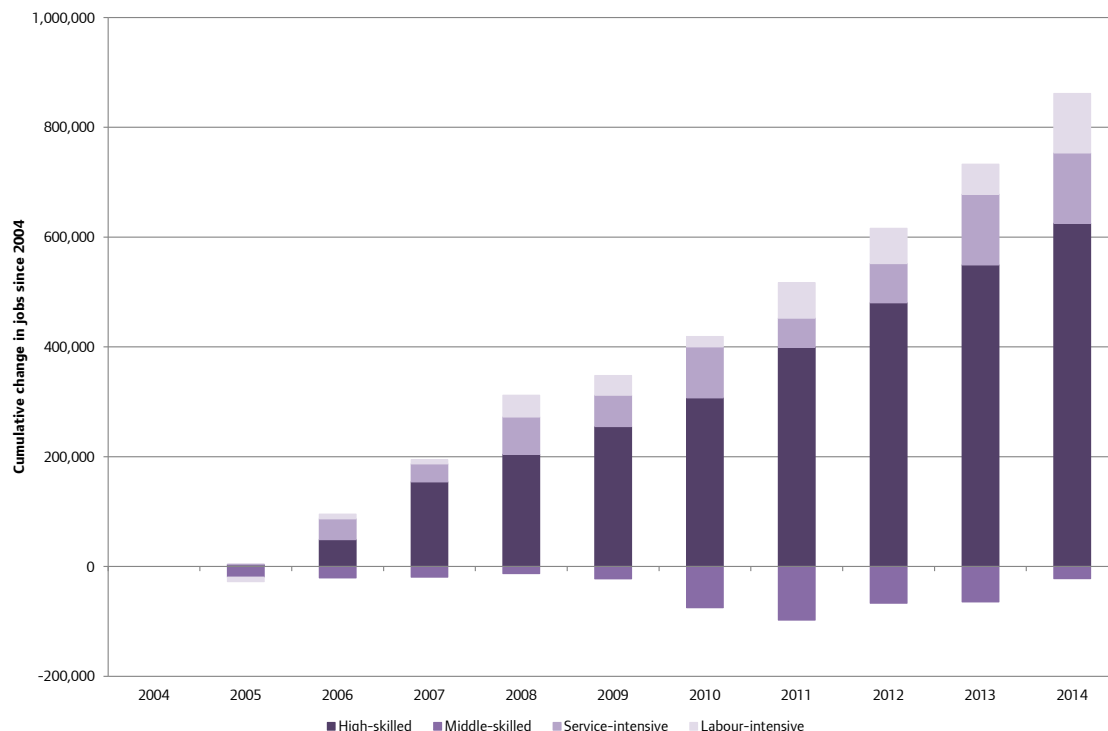
**Figure 6.81: Cumulative change in employment by broad occupation group for the UK, 1992-2015**



*Note: There is a gap in 2001 due to a break in the occupational coding. Source: Office of National Statistics Labour Force Survey, UKCES analysis. Taken from UKCES (2015).*

Figure 6.82 replicates this analysis for London<sup>62</sup> using the same broad occupation group definitions as above. This shows that there has similarly been a large increase in high-skilled roles within London (+625,000 jobs between 2004 and 2014), whilst middle-skilled jobs has declined (-22,000 jobs). Interestingly, the number of labour-intensive occupations in London has also increased, which is in contrast to falls across the UK as a whole.

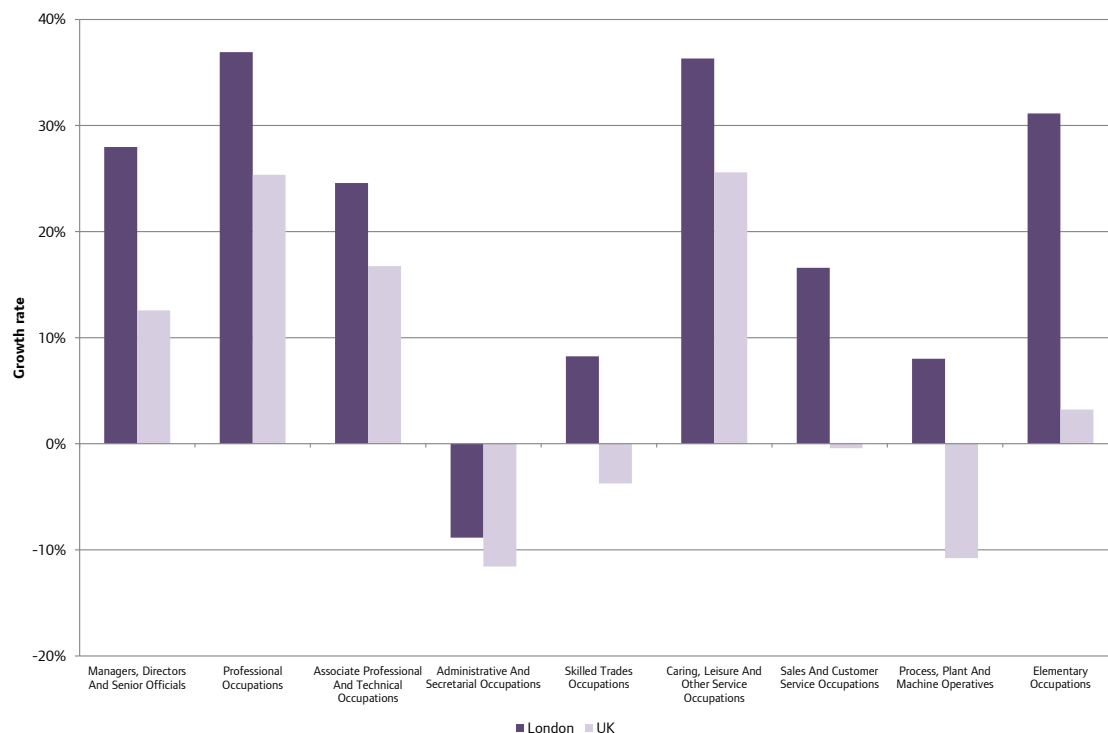
**Figure 6.82: Cumulative change in employment by broad occupation group for London, 2004-2014, workplace basis**



Notes: January to December periods. Broad occupation group definitions consistent with UKCES (2015). Source: ONS Annual Population Survey

Looking at the more detailed occupation groups, London has seen strong growth in Professional (36.9 per cent) and Caring, Leisure & Other Service (36.3 per cent) occupations between 2004 and 2014 (Figure 6.83). However, growth has been comparably much weaker for Skilled Trades (8.2 per cent) and Process, Plant & Machine Operatives (8 per cent) occupations. In fact, the number of Administrative & Secretarial occupations declined 8.9 per cent in London.

**Figure 6.83: Growth in employment by occupation between 2004 and 2014 for London and the UK, workplace basis**



Notes: January to December periods. Source: ONS Annual Population Survey

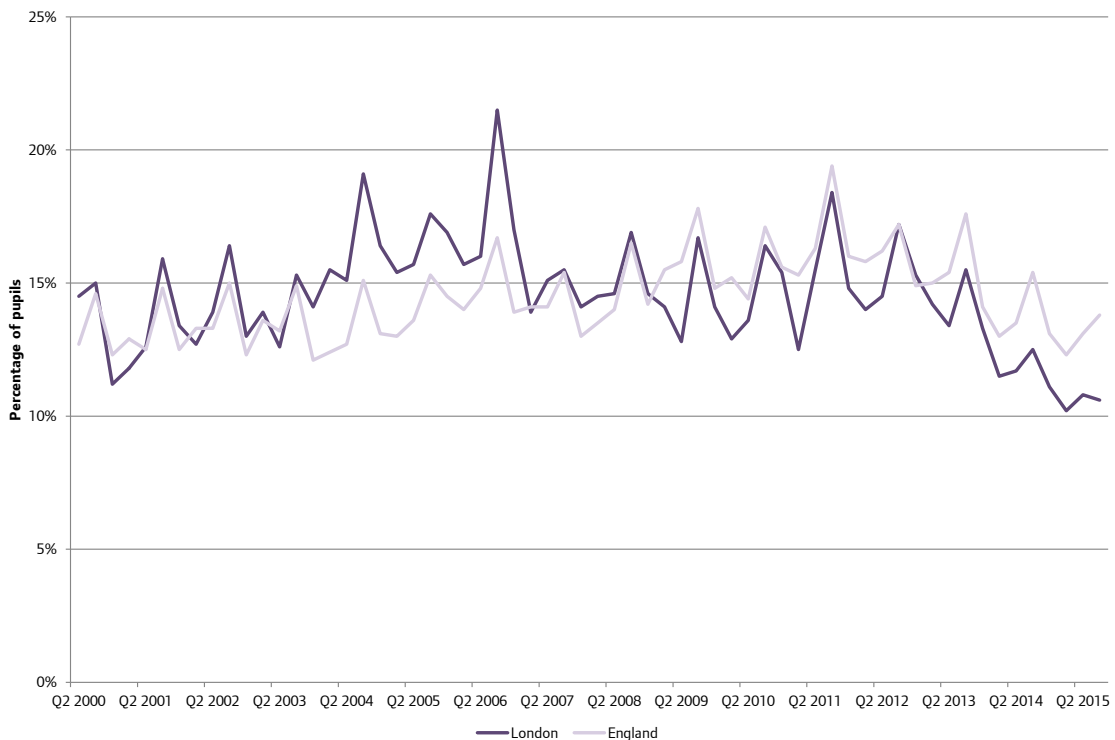
## The supply of labour

Having discussed the characteristics of London’s labour market, this section will focus on the supply of labour. In particular, it will look at three broad groups of labour: young people who are the future workforce, the current workforce, and the over 65s who are either approaching or have already left the labour force.

### Young people

A key milestone for young people is the transition from education to the labour market and, whilst most successfully move into sustained work, some find themselves not in education, employment or training (NEET). There were approximately 105,000 individuals aged 16-24 who were NEET in London in Q3 2015, equivalent to 10.6 per cent (Figure 6.84). Of this, 75,000 were aged 19-24 (10.4 per cent) implying 30,000 were aged 16-18. However, it should be noted that this data is seasonal in that it reflects the academic year.

**Figure 6.84: Percentage of individuals aged 16-24 who were NEET in London and England as a whole, 2000-2015**



Source: ONS Labour Force Survey

The risk factors associated with being NEET include comparably poor academic attainment, having English as an additional language, exclusions from school, special education needs and free school meal eligibility<sup>63</sup>. Therefore, this section will look at these characteristics within London’s school age population.

Initially, there were 731,000 pupils in state primary schools and 484,000 pupils in state secondary schools in London during 2015. Of this, students from ethnic minority backgrounds<sup>64</sup> represented 71.7 per cent and 68.6 per cent of the school populations respectively. These were much higher than the England averages of 30.4 per cent and 26.6 per cent. Given this, it is unsurprising that London has a higher proportion of pupils that have English as an additional language (EAL). Almost half of all primary school children in London were EAL (compared with 19.4 per cent for England); though this was lower for secondary school pupils (40.6 per cent versus 15 per cent).

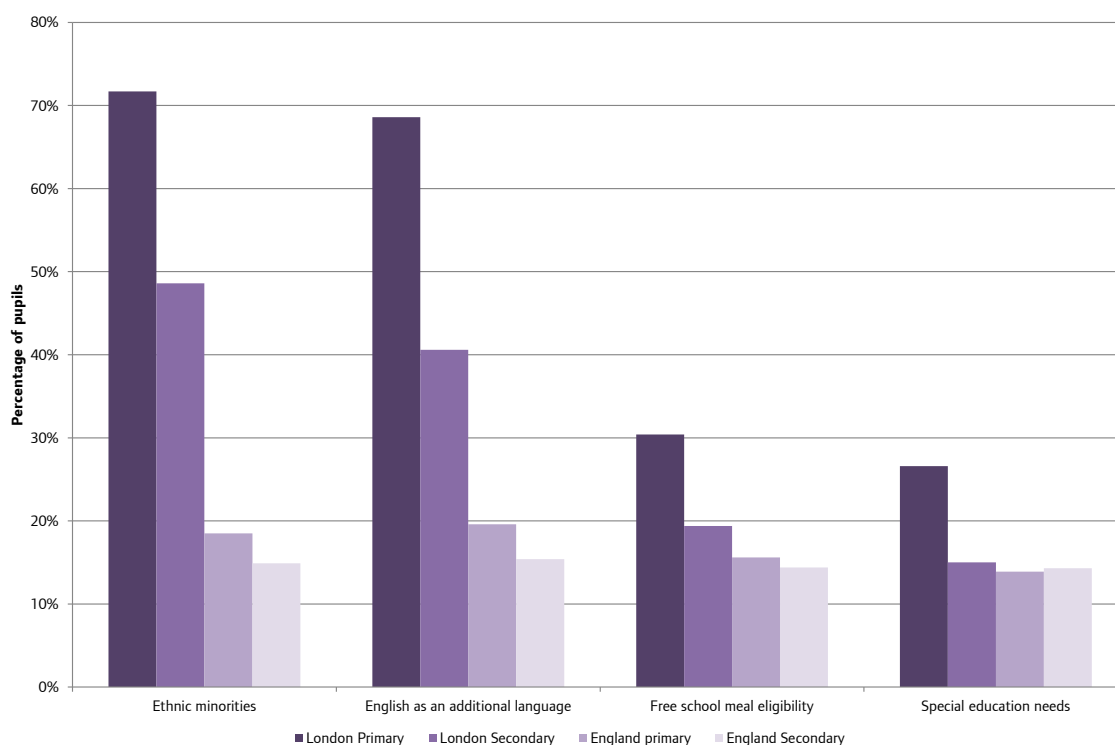
There were 137,000 primary and 95,000 secondary school students who were eligible for free schools meals in London. London had a higher percentage of pupils eligible for free school meals than England as a whole – 18.5 per cent versus 15.6 per cent for primary school children and 19.6 per cent versus 13.9 per cent for secondary school pupils.

Meanwhile, there were 109,000 state primary school and 75,000 state secondary school pupils who had special education needs (SEN) in 2015. The proportion of all students that had SEN in London (14.9 per cent and 15.4 per cent respectively) were broadly in line with the averages for England as a whole.

School exclusion statistics are currently only available for 2013-14. The number of permanent exclusions across state primary, state secondary and special schools was 780 in London, the equivalent of 0.07 per cent of the entire school population. That was slightly above the England average of 0.06 per cent. In contrast, the number of fixed-period exclusions was 35,000 in London or 2.9 per cent of the population, which was below the England average of 3.5 per cent.

These NEET risk indicators are summarised in Figure 6.85 below.

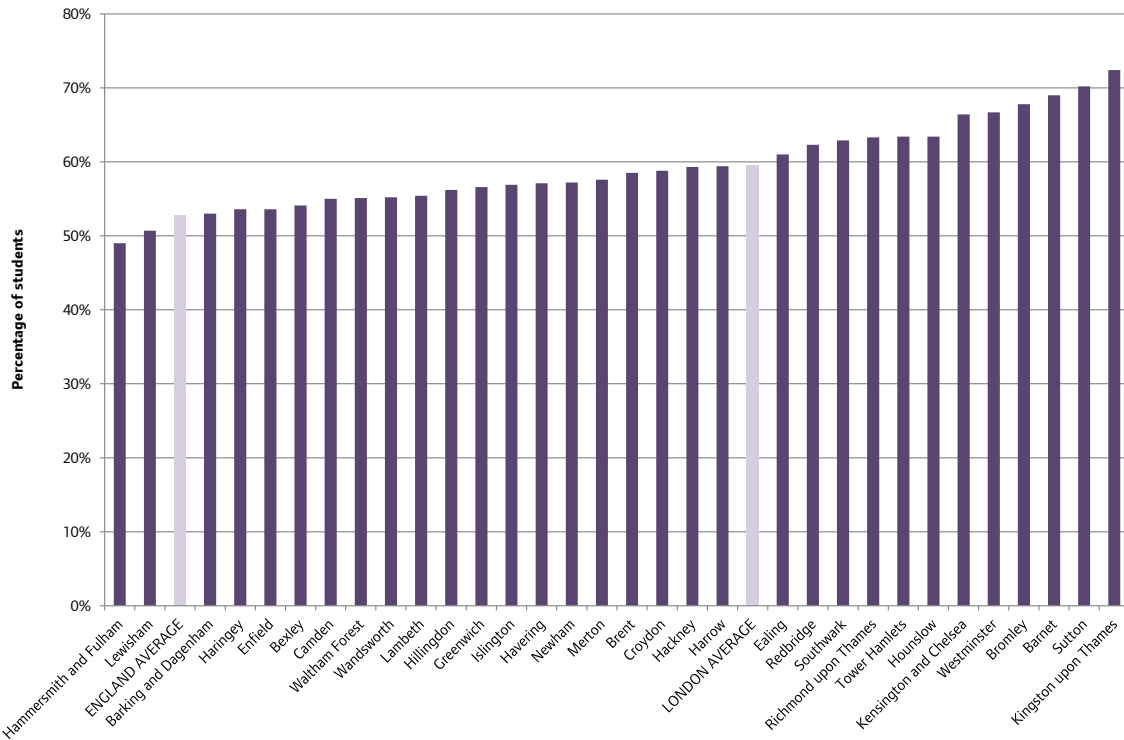
**Figure 6.85: Percentage of primary and secondary school pupils by ethnicity, EAL, FSM eligibility and SEN for London and England in 2015**



*Note: all state schools. Source: Department for Education School Census*

Perhaps the greatest risk indicator for being NEET is low educational attainment. In 2014-15, the percentage of pupils at state-funded schools who achieved at least five GCSEs (including English and Maths) that were A\*-C grade was 59.5 per cent in London – above the England average of 52.8 per cent – with Kingston-upon-Thames recording the highest success rate (Figure 6.86). Conversely, it can be implied that the proportion of pupils not achieving five good GCSEs, and are therefore at heightened risk of being NEET, was 40.5 per cent for London and 47.2 per cent for England.

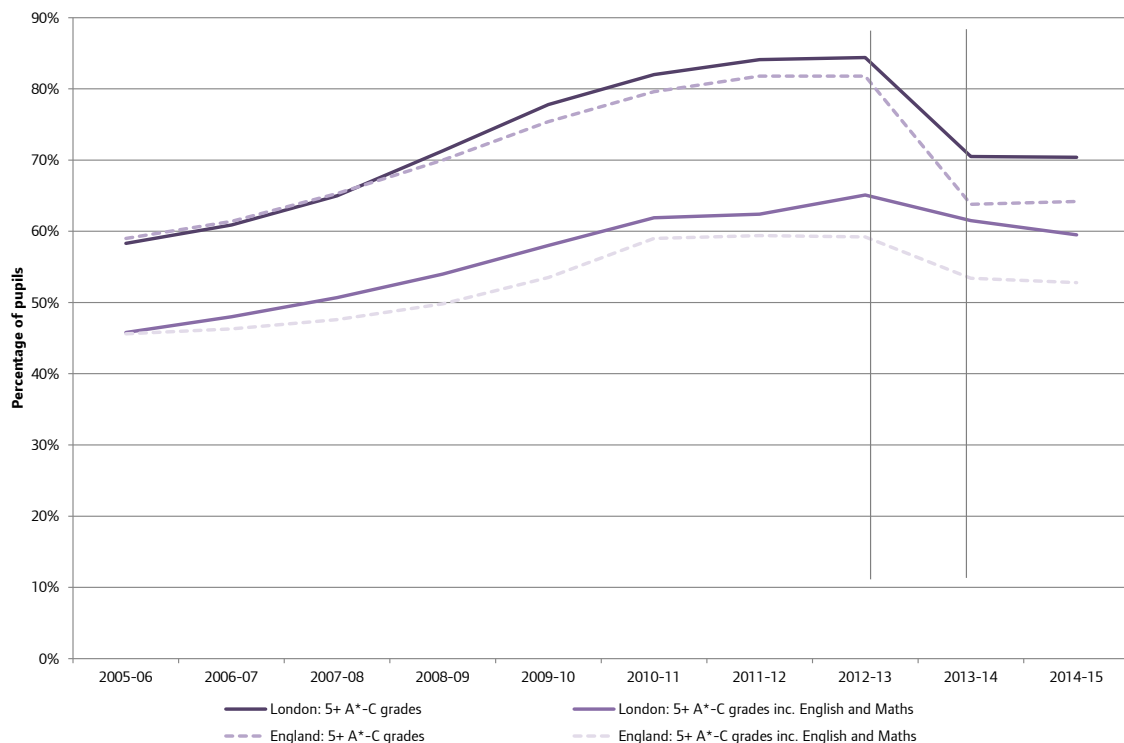
**Figure 6.86: Percentage of students achieving at least five A\*-C grade GCSEs (including English and Maths) by borough in 2014-15, state-funded schools only**



Note: Results for Hammersmith & Fulham are distorted by the pending English results of one school and will increase when included in the revised data. Source: Department for Education KS4 attainment statistics, 2014-15 provisional

Historic comparisons cannot easily be made due to methodology changes in 2013-14 and 2014-15 but, prior to this, London had generally seen an increase in the percentage of pupils achieving at least five good GCSEs and has constantly outperformed England as a whole (Figure 6.87). Therefore, this could be a potential explanation as to why the percentage of NEETs is lower in London.

**Figure 6.87: Percentage of pupils achieving at least five A\*-C grade GCSEs for London and England, 2005-06 to 2014-15, state-funded schools only**



Note: methodology changes in 2013-14 and 2014-15 means that they cannot directly be compared with previous years. Source: Department for Education Key Stage 4 Attainment data

Indeed, Table 6.11 shows that most Key Stage 4 (KS4) students remain in education (approximately 92 per cent) in London, with only a fraction entering employment or training. The percentage of young people who were registered as being NEET after KS4 was only 1 per cent and was marginally lower than England as a whole (2 per cent).

**Table 6.11: Percentage of key stage 4 pupils by destination for London and England in 2013-14**

Destination	London	England
<b>All education, employment or training destinations</b>	<b>93%</b>	<b>92%</b>
Education destination	92%	90%
Employment or training destination	..	1%
Combined education and employment/training destination	..	1%
<b>Destination not sustained</b>	<b>4%</b>	<b>5%</b>
<b>Destination not sustained/NEET</b>	<b>1%</b>	<b>2%</b>
<b>Activity not captured</b>	<b>2%</b>	<b>1%</b>

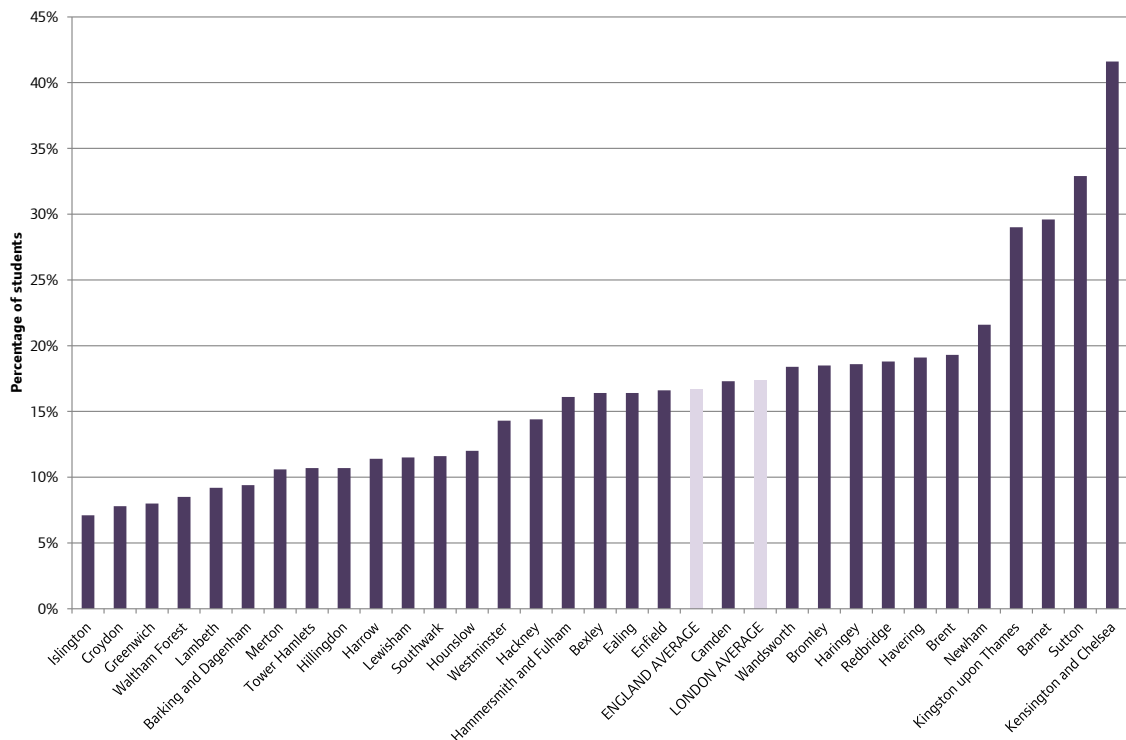
Note: “..” means the percentage is less than 0.5 per cent but greater than 0 per cent. Data reported to zero decimal places.

Source: Department for Education National Pupil Database

As noted above, most young people continue on to Key Stage 5. Popular subjects in London for the 2014-15 academic year included Mathematics (12.4 per cent), English (9.7 per cent) and Biological Sciences (7.8 per cent). In fact, 35.8 per cent of A Level entries were in STEM subjects<sup>65</sup>.

The percentage of students at state-funded schools achieving AAB or better in their A Levels was 17.4 per cent in 2014-15. Males performed slightly better than females (18.2 per cent versus 16.9 per cent). Moreover, London performed slightly above the England average of 16.7 per cent. There were also quite significant differences by borough – only 7.1 per cent of students in Islington achieved AAB or higher compared with 41.6 per cent in Kensington & Chelsea (Figure 6.88).

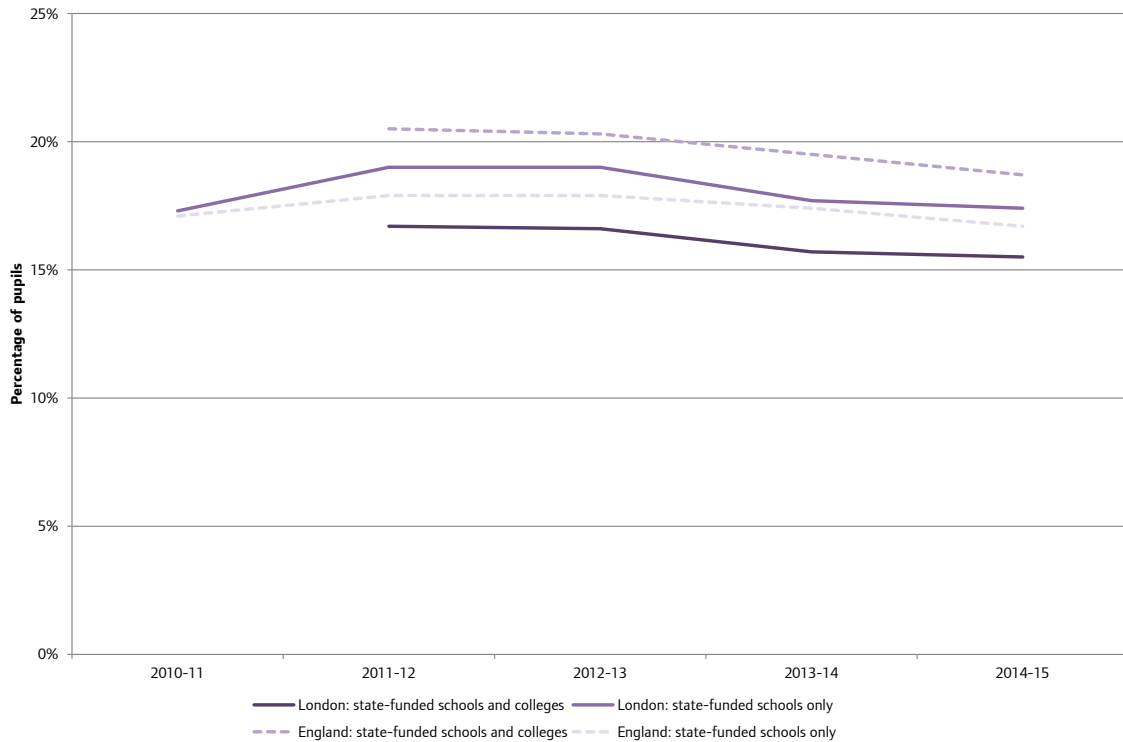
**Figure 6.88: Percentage of students achieving AAB or better at A Level by London borough in 2014-15, state-funded schools only**



Note: City of London is excluded for disclosure reasons and figures for Kingston-upon-Thames is not yet available. Source: Department for Education 2014/15 16-18 attainment data

Figure 6.89 shows the percentage of students achieving AAB or better at A Level for London and England over time. Historically, London has performed marginally better than England when solely looking at state-funded schools. However, if colleges were also included, then London performed below the England average. For example, the percentage of students achieving AAB or better in London state-funded schools and colleges was 15.5 per cent in 2014-15, compared with 18.7 per cent for England as a whole. This implies that London colleges do not perform as well as London state-funded schools. Potential reasons for this include London colleges having higher proportions of students from ethnic backgrounds with lower GCSE attainment compared to state-funded schools, as well as colleges taking on students that may have left their school sixth form<sup>66</sup>.

**Figure 6.89: Percentage of students achieving AAB or better at A Level for London and England, 2010-11 and 2014-15**



Source: Department for Education 2014/15 16-18 attainment data

Following A Levels, most young people at state-funded schools remain in some form of education, employment or training (79 per cent). As Table 6.12 shows, the most popular destination was education with 75 per cent attending university or other education destinations. Although continued education was also the most popular destination for young people across England, the proportion was lower, at 72 per cent. Interestingly, the percentage of young people entering an employment or training destination was approximately 4 per cent in London – half the proportion for England as a whole. Moreover, the percentage of students who were NEET after leaving school was only 2 per cent in 2013-14, on par with the England average.

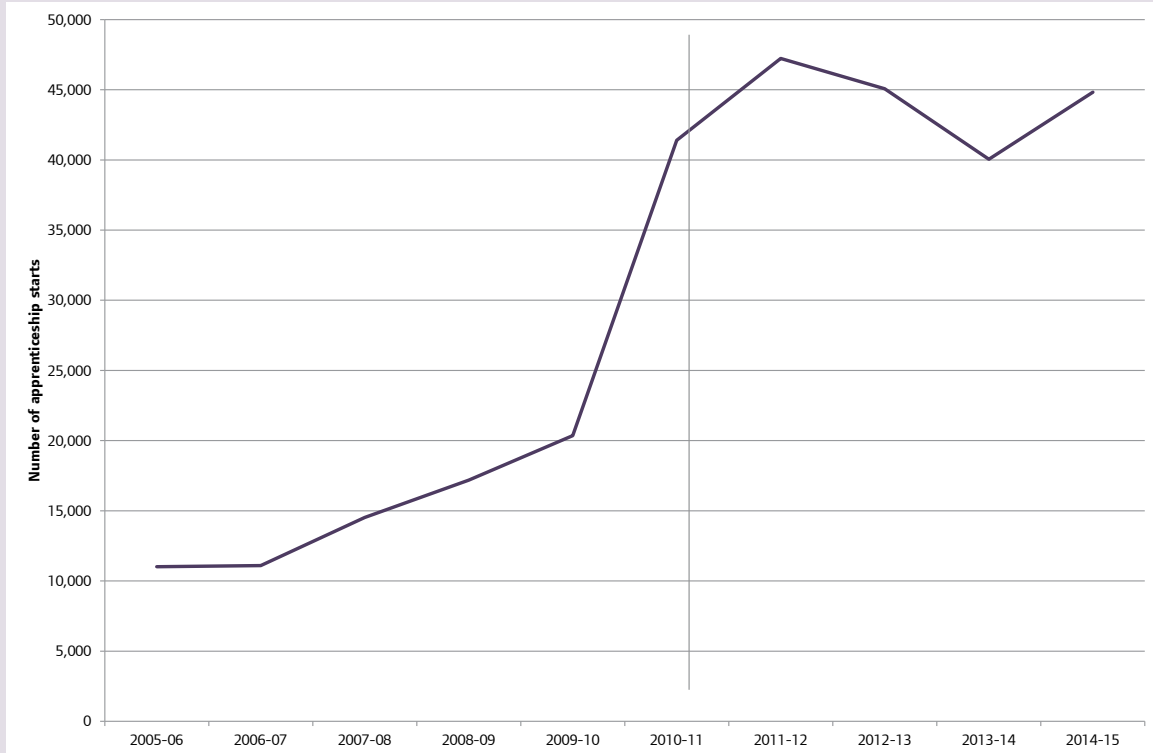
**Table 6.12: Percentage of key stage 5 pupils by destination for London and England in 2013-14**

Destination	London	England
<b>All education, employment or training destinations</b>	<b>79%</b>	<b>79%</b>
Education destination	75%	72%
Employment or training destination	3%	7%
Combined education and employment/training destination	1%	1%
<b>Destination not sustained</b>	<b>5%</b>	<b>7%</b>
<b>Destination not sustained/NEET</b>	<b>2%</b>	<b>2%</b>
<b>Activity not captured</b>	<b>14%</b>	<b>13%</b>

Source: Department for Education National Pupil Database

**Box 6.6: Apprenticeships in London**

The number of apprenticeship starts in London was 45,000 in the 2014-15 academic year. That was up from 40,000 in 2013-14, though the trend has generally been declining since 2011-12<sup>67</sup> (Figure 6.90). There are in fact four levels of apprenticeships that vary in skills and qualifications: intermediate, advanced, higher and degree. Almost six in every ten (58.6 per cent) apprenticeship starts in London during 2014-15 were for the intermediate level, which is the equivalent of achieving five A\*-C grades at GCSE. A further 37.4 per cent were at the advanced level (the equivalent of A Levels), but only 4 per cent were at the higher level (the equivalent of higher education). These trends by level are broadly similar for England as a whole.

**Figure 6.90: Number of apprenticeship starts in London, 2005-06 to 2014-15 academic years**

Note: Figures for 2011-12 onwards not directly comparable to earlier years. Source: Skills Funding Agency

By age, almost half of starts were by individuals aged 25 years and over (46.7 per cent), with the 'under 19 years' and 19-24 age groupings representing 22.1 per cent and 31.2 per cent respectively. All age groups were most likely to start apprenticeships at the intermediate level, though the proportions doing advanced or higher level apprenticeships increased for the older age groups (Table 6.13).

**Table 6. 13 Apprenticeship starts by level and age group for London in 2014-15 academic year**

Apprenticeship level	Under 19 years	19-24 years	25 years and over	All ages
Intermediate level	63.1%	57.1%	57.5%	58.6%
Advanced level	35.7%	39.5%	36.9%	37.4%
Higher level	1.2%	3.5%	5.6%	4.0%
All levels	100.0%	100.0%	100.0%	100.0%

Source: Skills Funding Agency

Table 6.14 shows the sector subject that the apprenticeship starts were in during 2014-15. The most popular areas were Business, Administration & Law (34.5 per cent) and Health, Public Services & Care (25.9 per cent). Concurrently, Construction, Planning & the Built Environment saw the largest percentage rise since 2011-12.

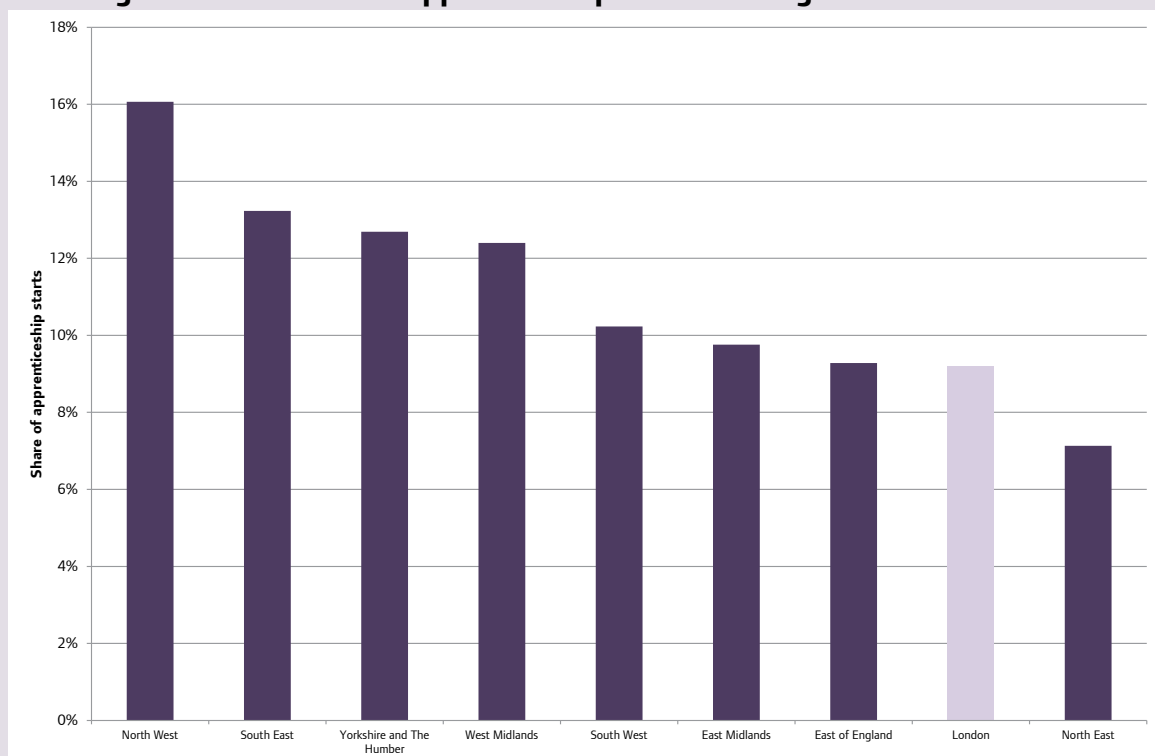


**Table 6.14: Apprenticeship starts by sector subject area in London in 2014-15 academic year**

Sector subject area	Number	Percentage	Change since 2011-12
Agriculture, Horticulture and Animal Care	560	1.2%	5.7%
Arts, Media and Publishing	300	0.7%	-18.9%
Business, Administration and Law	15,460	34.5%	-5.6%
Construction, Planning and the Built Environment	1,250	2.8%	47.1%
Education and Training	890	2.0%	-19.8%
Engineering and Manufacturing Technologies	4,330	9.7%	-9.4%
Health, Public Services and Care	11,600	25.9%	12.3%
Information and Communication Technology	1,910	4.3%	-0.5%
Languages, Literature and Culture	-	-	-
Leisure, Travel and Tourism	1,320	2.9%	-55.1%
Preparation for Life and Work	-	-	-
Retail and Commercial Enterprise	7,180	16.0%	-10.5%
Science and Mathematics	10	0.0%	0.0%
Unknown	-	-	-
<b>Total</b>	<b>44,820</b>	<b>100.0%</b>	<b>-5.1%</b>

Source: Skills Funding Agency

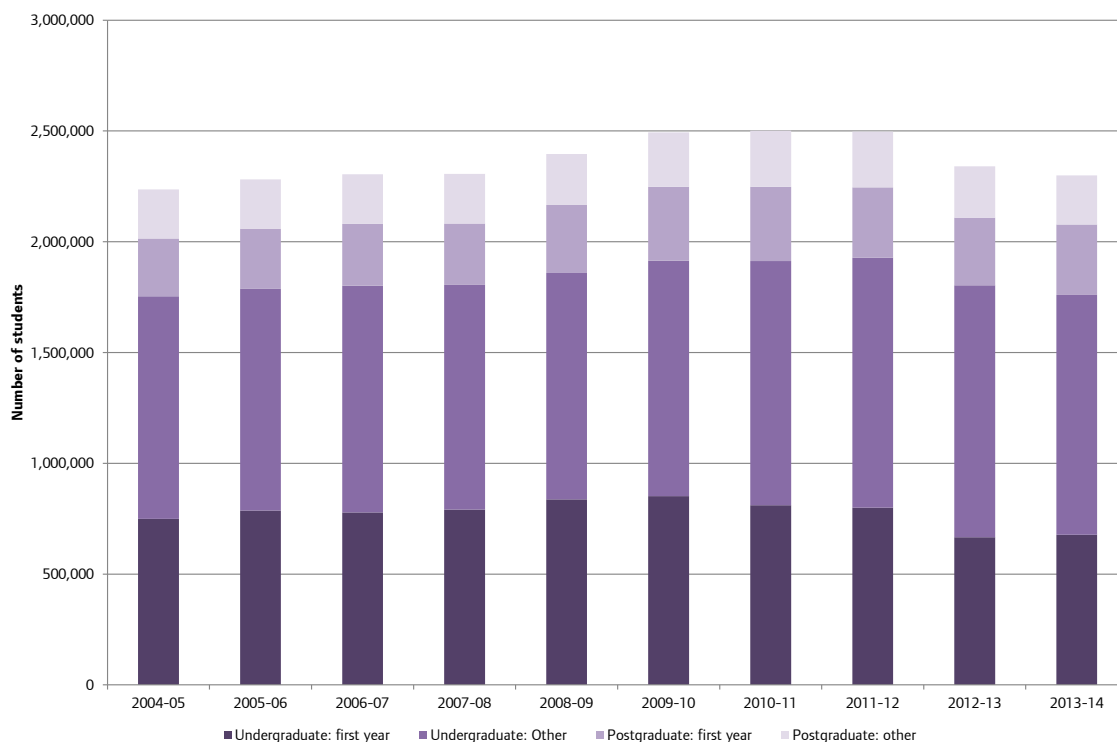
By region, London had one of the lowest shares of all apprenticeship starts in England (9.2 per cent). In fact, only the North East posted a lower proportion in 2014-15 (Figure 6.90). This was particularly true for the 'under 19' and 19-24 age groups, though London performed slightly better for the 25 years and over group (fifth out of the nine regions).

**Figure 6.91: Regional share of total apprenticeship starts for England in 2014-15 academic year**

Source: Skills Funding Agency

There were approximately 1.760 million undergraduate and 0.539 million postgraduate students in the UK during 2013-14 (Figure 6.92). That was the lowest student population in eight years and generally a reflection of a drop in the number of first year students in recent years. For example, the number of first year undergraduate and postgraduate students was 0.996 million in 2013-14, down from a peak of 1.185 million in 2009-10.

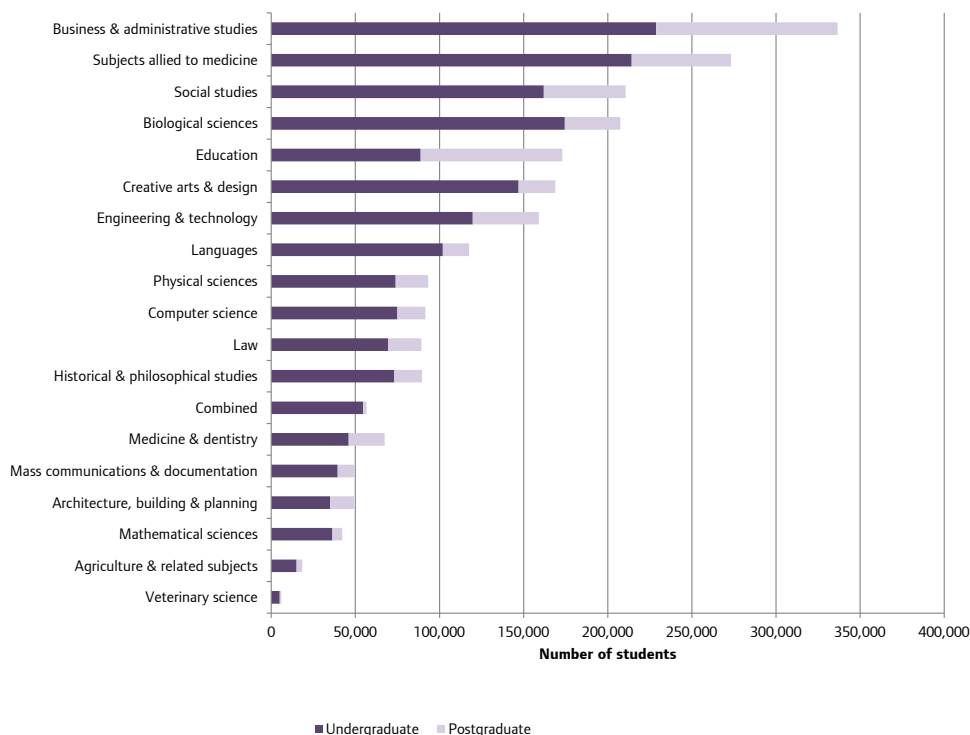
**Figure 6.92: Number of undergraduate and postgraduate students in the UK, 2004-05 to 2013-14**



Source: Higher Education Statistics Agency

As Figure 6.93 shows, the most popular degree subject was Business & Administration Studies and was true for both undergraduate (13 per cent) and postgraduate (20 per cent) levels. The next most popular subject for undergraduates was subjects allied to medicine (but not including medicine or dentistry) representing 12.2 per cent of the total, though this was Education for postgraduates (15.6 per cent).

**Figure 6.93: Number of undergraduates and postgraduates by degree subject in the UK, 2013-14**



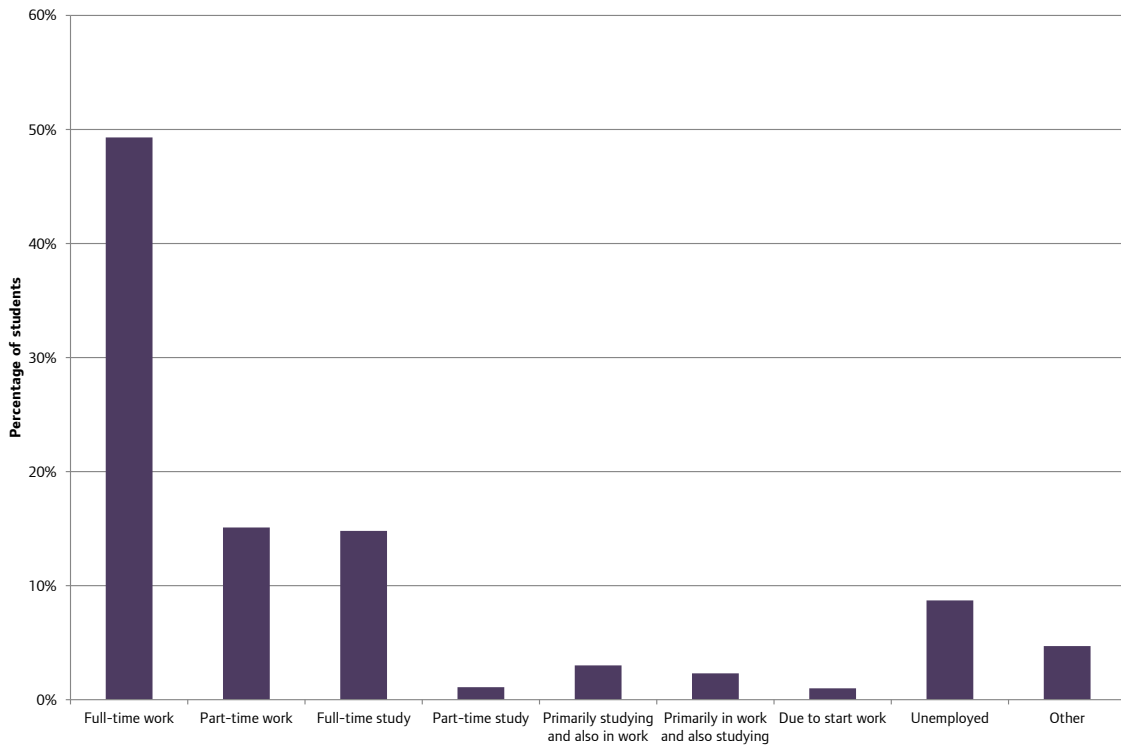
Source: Higher Education Statistics Agency

Around three-quarters of UK graduates entered employment after completing their degree in 2013-14, whilst a further 14 per cent went on to further study. Only 6 per cent were reportedly unemployed.

Employment rates were higher (and thus unemployment levels were lower) for those completing postgraduate degrees in comparison with undergraduate degrees, though this partly reflects fewer people moving on to further study.

London data is available for 2012-13 and showed that 49.3 per cent of London resident graduates were in full-time work after graduation (Figure 6.94). That was a 2 percentage point increase from the 2011-12 class. A further 15.1 per cent were in part-time work meaning the proportion of London resident graduates who were in some sort of work was 64.4 per cent. Meanwhile, unemployment stood at 8.7 per cent in 2012-13, an improvement on 11 per cent in 2011-12.

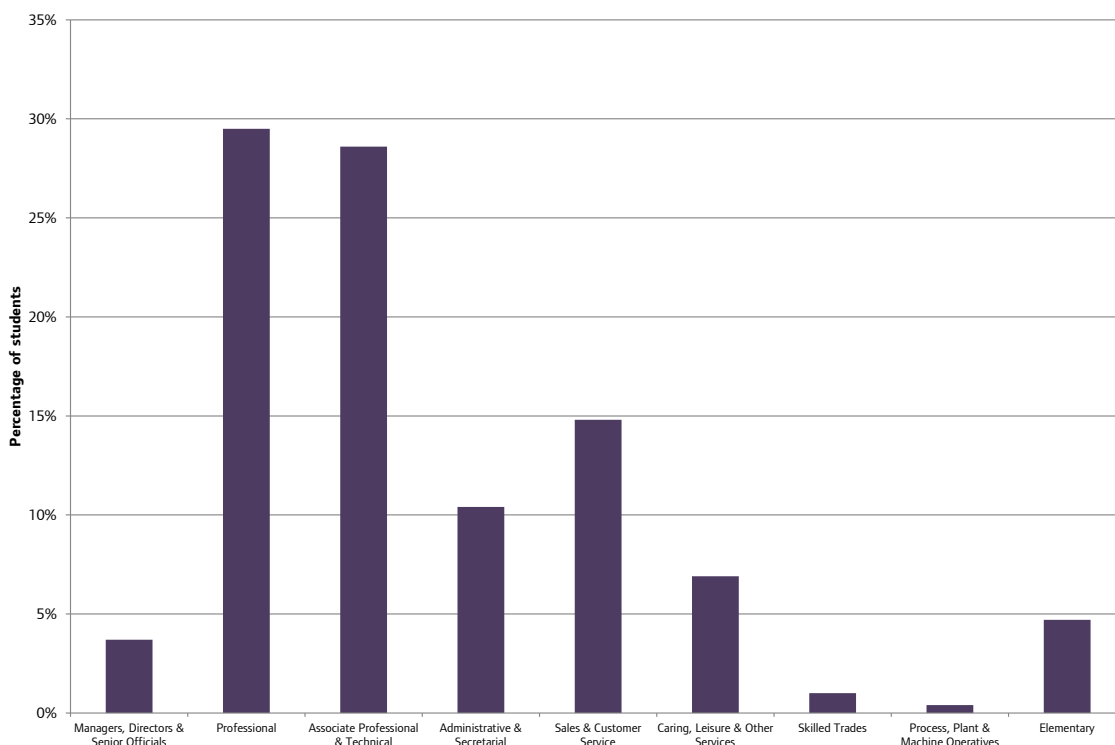
**Figure 6.94: Destinations of London resident graduates in 2012-13**



Source: Higher Education Statistics Agency. Taken from London Councils (2015). *The higher education journey of young London residents*.

Most of the London resident graduates entered professional occupations, with 29.5 per cent and 28.6 per cent entering Professional and Associate Professional & Technical roles respectively (Figure 6.95).

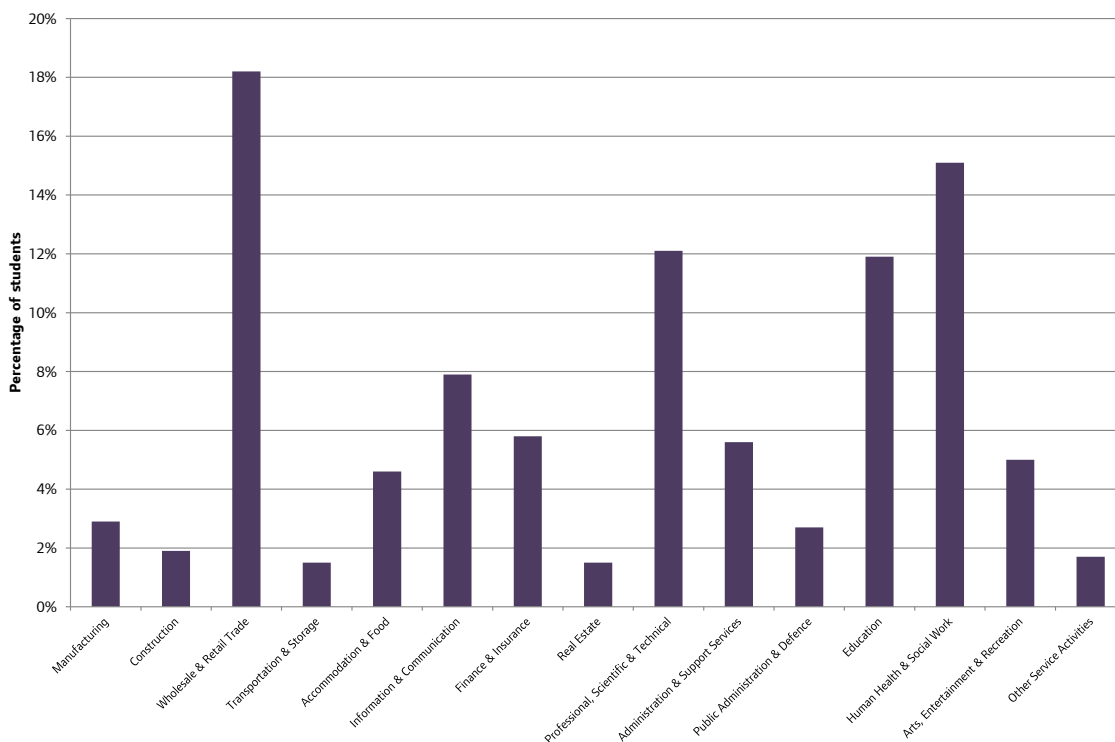
**Figure 6.95: Occupations of London resident graduates who were in employment in 2012-13**



Source: Higher Education Statistics Agency. Taken from: London Councils (2015). The higher education journey of young London residents.

Similar information is available on what sectors London resident graduates were working in as shown in Figure 6.96. The top sectors were Wholesale & Retail Trade (18.2 per cent) and Human Health & Social Work (15.1 per cent).

**Figure 6.96: Industry of London resident graduates who were in employment in 2012-13**

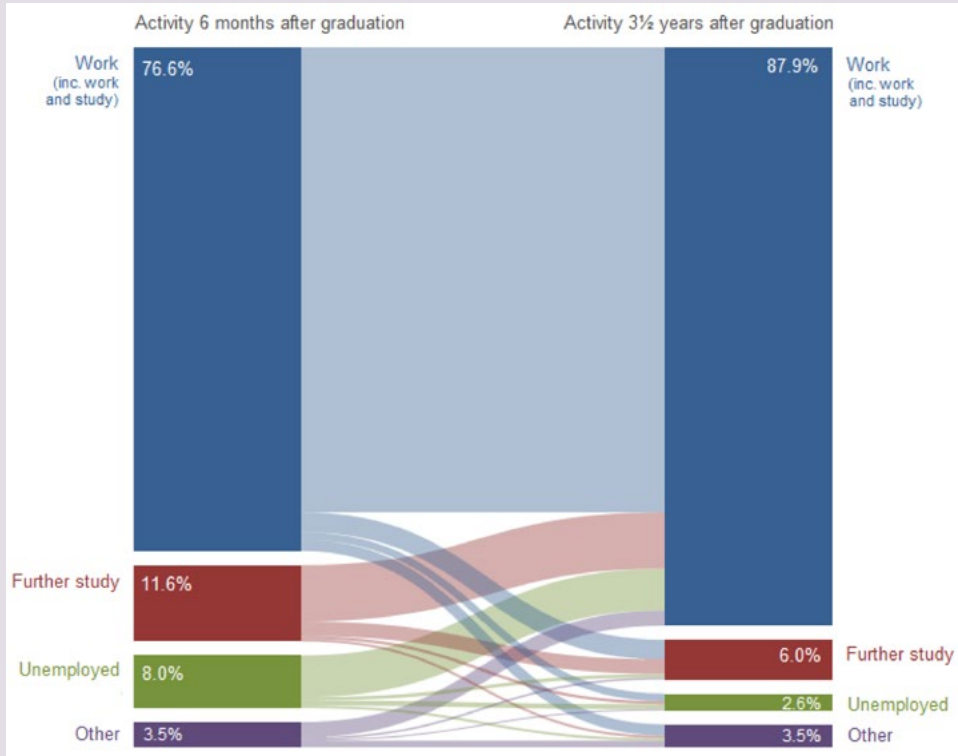


Source: Higher Education Statistics Agency. Taken from: London Councils (2015). The higher education journey of young London residents. Box: Career progression of graduates

**Box 6.7: Career progression of graduates**

The Higher Education Statistics Agency performs a longitudinal survey of UK graduates to assess their career progression three-and-a-half years after leaving university. The latest findings for graduates in 2010-11 showed that a greater proportion of graduates were in employment after three-and-a-half years (87.9 per cent) than six months after graduation (76.6 per cent). This in part can be explained by those who previously entered further study entering work at a later stage, although there was also a fall in unemployment (Figure 6.97).

**Figure 6.97: Activities of UK domiciled leavers from HE six months and three-and-a-half years after graduation**



Source: Higher Education Statistics Agency Destinations of Leavers from Higher Education Longitudinal Survey. Taken from HESA press release 221.

As discussed in Chapter 3, London is an attractive place to work. This can clearly be seen in Table 6.15 where 23.1 per cent of all graduates in 2010-11 were working in London three-and-a-half years after graduation. Moreover, London’s attractiveness can be seen when looking at the movement of graduates from other UK regions to London. For example, 27.8 per cent of graduates domiciled in the South East were later working in London. Noticeably, 84.4 per cent of graduates who were working in London six months after graduation were still working in London three-and-a-half years after graduation.

**Table 6.15: Percentage of graduates working in London three-and-a-half years after graduation by region of domicile, HE provider and employment six months after graduation**

Region	Percentage of graduates working in London 3.5 years after graduation by:		
	Region of domicile in 2010-11	Region of HE provider in 2010-11	Region of employment 6 months after graduation
North East	8.3%	15.5%	4.5%
North West	9.5%	10.6%	6.8%
Yorkshire & Humber	9.3%	13.2%	4.9%
East Midlands	12.2%	17.9%	5.9%
West Midlands	9.6%	13.8%	4.8%
East of England	27.6%	30.7%	15.8%
London	82.1%	70.4%	84.4%
South East	27.8%	29.8%	15.2%
South West	16.7%	22.9%	8.1%
Wales	8.6%	8.2%	3.3%
Scotland	7.6%	8.2%	3.3%
Northern Ireland	11.2%	4.4%	3.9%
<b>Total</b>	<b>24.4%</b>	<b>24.4%</b>	<b>23.1%</b>

Source: Higher Education Statistics Agency Destinations of Leavers from Higher Education Longitudinal Survey

Figure 6.98 and Table 6.16 provide a summary of the education pathways<sup>68</sup> (from GCSEs to higher education) discussed above for London. When combining the various destination data, almost six in every ten students could have a degree (either ordinary or higher degree) as their highest qualification. A further 10 per cent could achieve higher education level and one-quarter might have GCE, A-level or equivalent as their highest award.

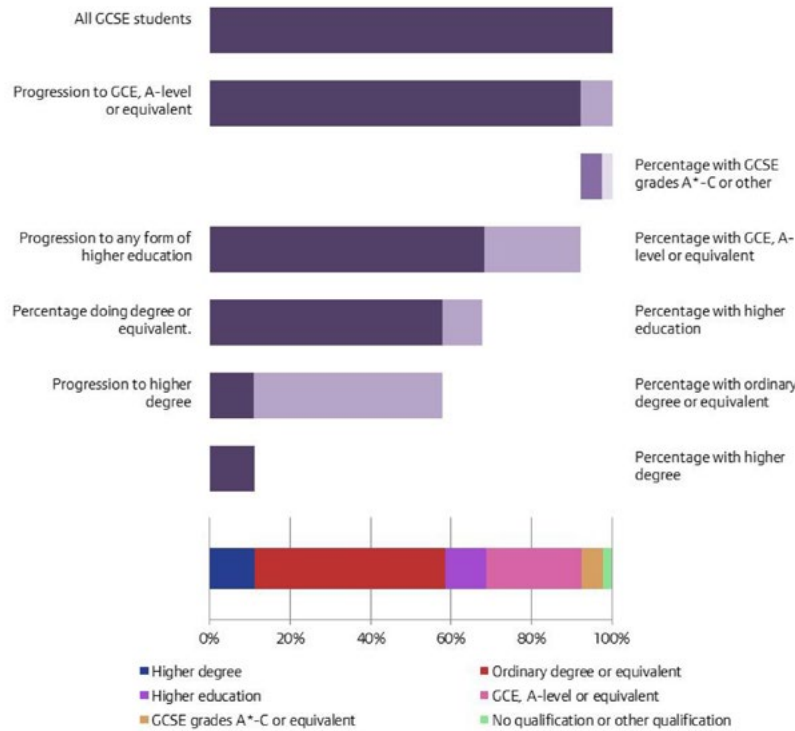
Table 6.16 also presents the proportion of jobs<sup>69</sup> in London by highest qualification in 2014. Comparing this with the education pathways, it could be expected that students will be better qualified than the current workforce. For example, 23.7 per cent of students are expected to achieve GCE, A-level or equivalent as their highest qualification compared with 16.6 per cent for current workers. This could partly be a reflection of changes in the participation age<sup>70</sup> for example.

**Table 6.16: Students and jobs in London by highest qualification**

Highest qualification	Students – based on expected education pathways	Number of jobs
No qualification	2.3% *	4.1%
Other qualification	2.3% *	8.7%
GCSE grades A*-C or equivalent	5.4%	12.5%
GCE, A-level or equivalent	23.7%	16.6%
Higher education	10.1%	7.8%
Ordinary degree or equivalent	47.4%	35.4%
Higher degree	11.1%	14.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Note: The approach taken to estimate the education pathways means it has not been possible to disaggregate the percentages of no and other qualifications. Source: ONS Annual Population Survey, Department for Education National Pupil Database, Higher Education Statistics Agency, GLA Economics calculations

**Figure 6.98: Education pathways for London**



*Note: It has not been possible to track the same year group through their entire education pathway due to data limitations. Instead, this analysis is based on the latest destinations data from various sources. In reality, destinations may be affected by both endogenous (i.e. characteristics of the year group itself) and exogenous (i.e. economic conditions) factors and may not be reflective of future cohorts. Furthermore, KS4 destinations by attainment are not available meaning the proportions achieving GCSE grades A\*-C or equivalent and no or other qualifications are based on Department for Education attainment data that showed 70.4 per cent of students achieving at least five A\*-C grade GCSEs in London (see Figure 6.94). Source: Department for Education National Pupil Database, Higher Education Statistics Agency, GLA Economics calculations*

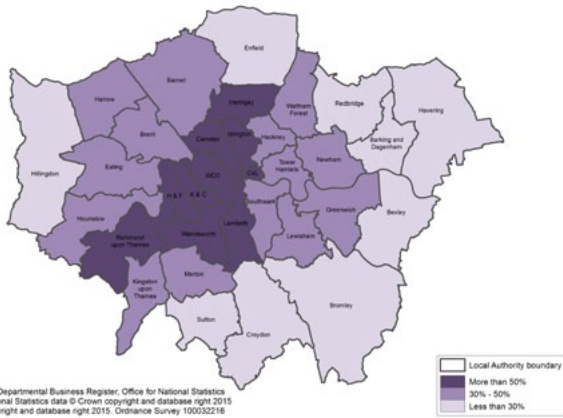
**Current workforce**

The following maps (Map 6.9) show the concentration of workers by qualification across London<sup>71</sup>. These show that Inner London boroughs had a greater proportion of employees with Level 4 qualifications or above (i.e. higher education) in 2011, whilst Outer London boroughs were more likely to have employees with Levels 1-3 qualifications. Indeed, Barking & Dagenham and Havering were the only two boroughs to have more than half of employees in this group. They were also the only boroughs to have more than 10 per cent of employees with no qualifications.

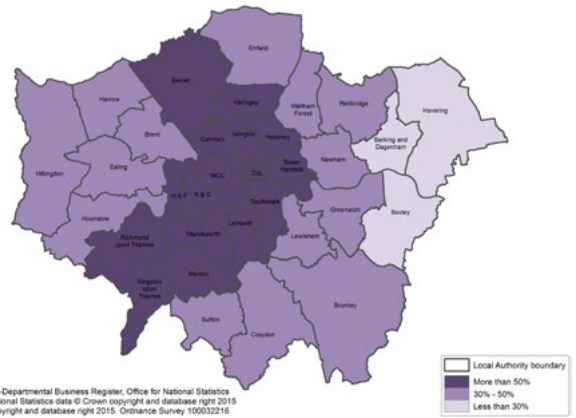
Generally, employees have higher qualifications than in 2001. For example, whilst nine boroughs had less than 30 per cent of employees with Level 4 or 5 qualifications in 2001, there was only three in 2011. Similarly, only Inner West London had less than 10 per cent of employees with no qualifications in 2001, but this was the case for the majority of boroughs.

### Map 6.9: Percentage of employees by qualification in 2001 and 2011

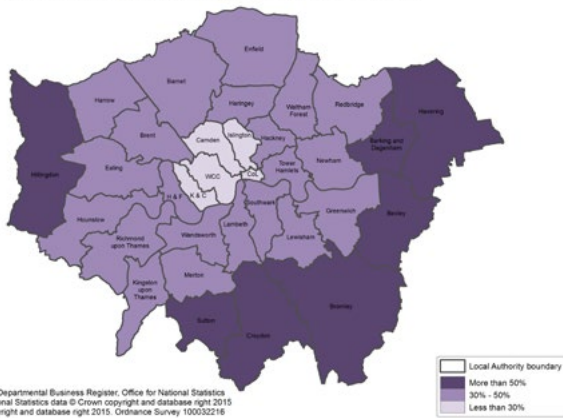
Percentage of employees with level 4-5 qualifications by borough, 2001 Census



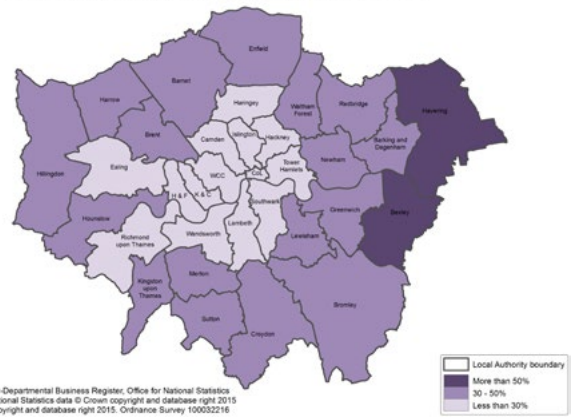
Percentage of employees with level 4-5 qualifications by borough, 2011 Census



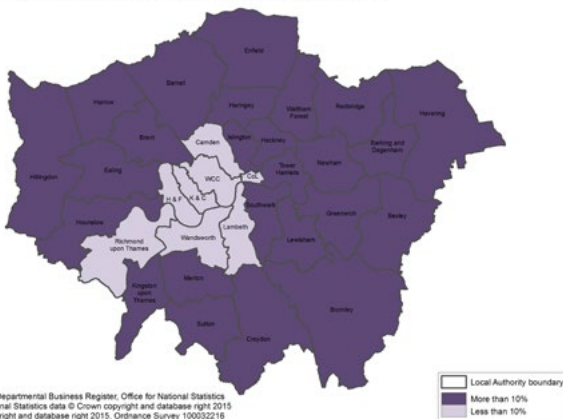
Percentage of employees with level 1-3 qualifications by borough, 2001 Census



Percentage of employees with level 1-3 qualifications by borough, 2011 Census



Percentage of employees with no qualifications by borough, 2001 Census



Percentage of employees with no qualifications by borough, 2011 Census



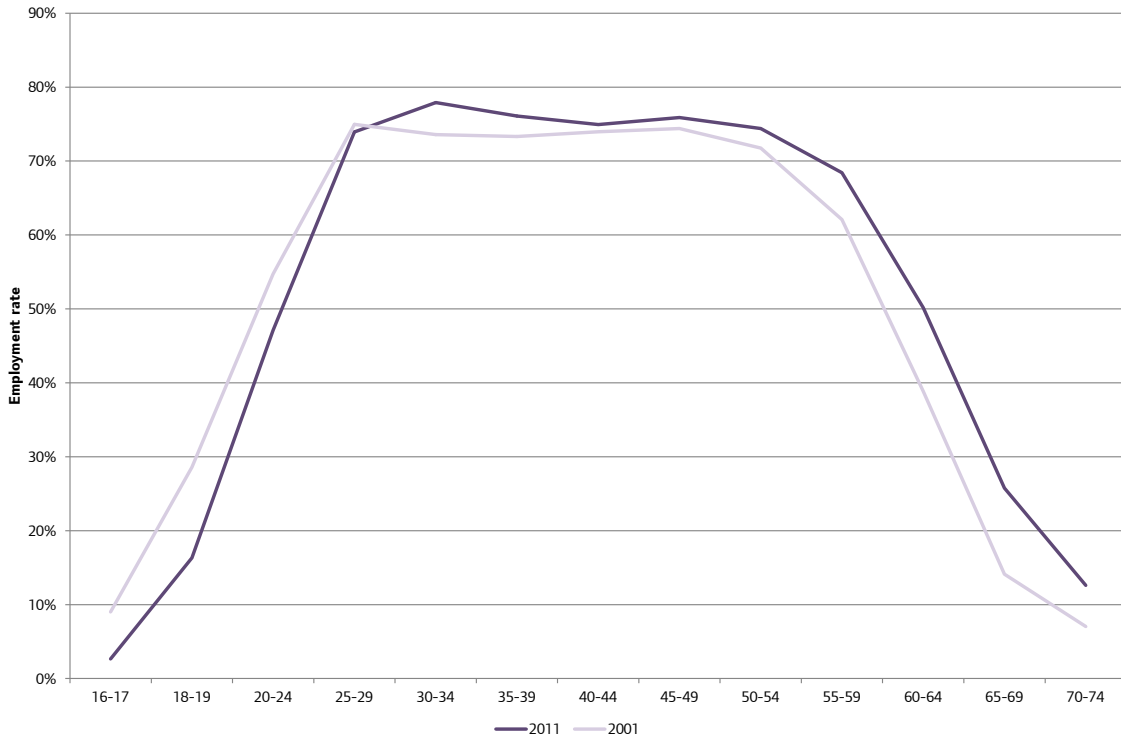
Source: ONS Census 2001 and 2011



### The over 65s

This section is focussed on people aged 65 and over<sup>72</sup>. As shown in Figure 6.49, the employment rate for this age group was only 11.9 per cent in 2014 and, despite having increased from 7.7 per cent in 2004, was the lowest rate among all age groups. In fact, when looking across more detailed age bands using Census data (Figure 6.99), the employment rate drops suddenly for the 60-64 and 65-69 age groups. This mostly reflects the fact that the vast majority of older people are economically inactive and in retirement. For example, in London, 79.9 per cent of men aged 65 and over and 86.9 per cent of women were retired in 2014.

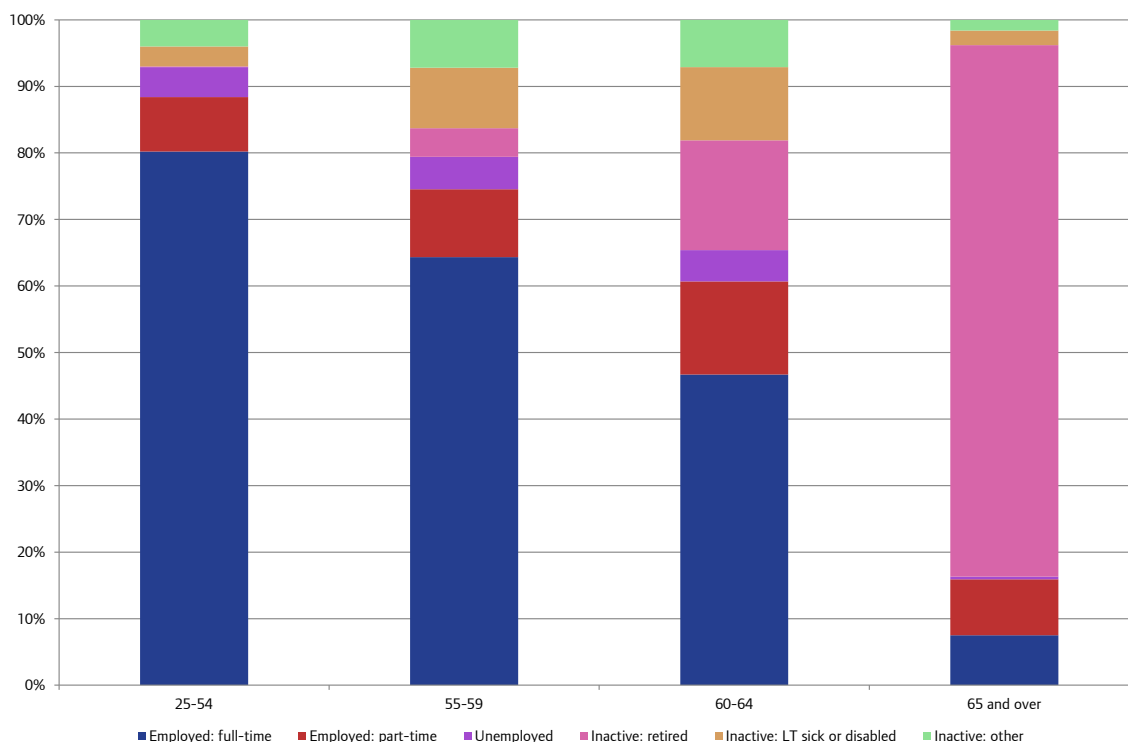
**Figure 6.99: Employment rates by detailed age groups for London, 2001 and 2011 (Census data)**



Source: ONS Census 2001 and Census 2011

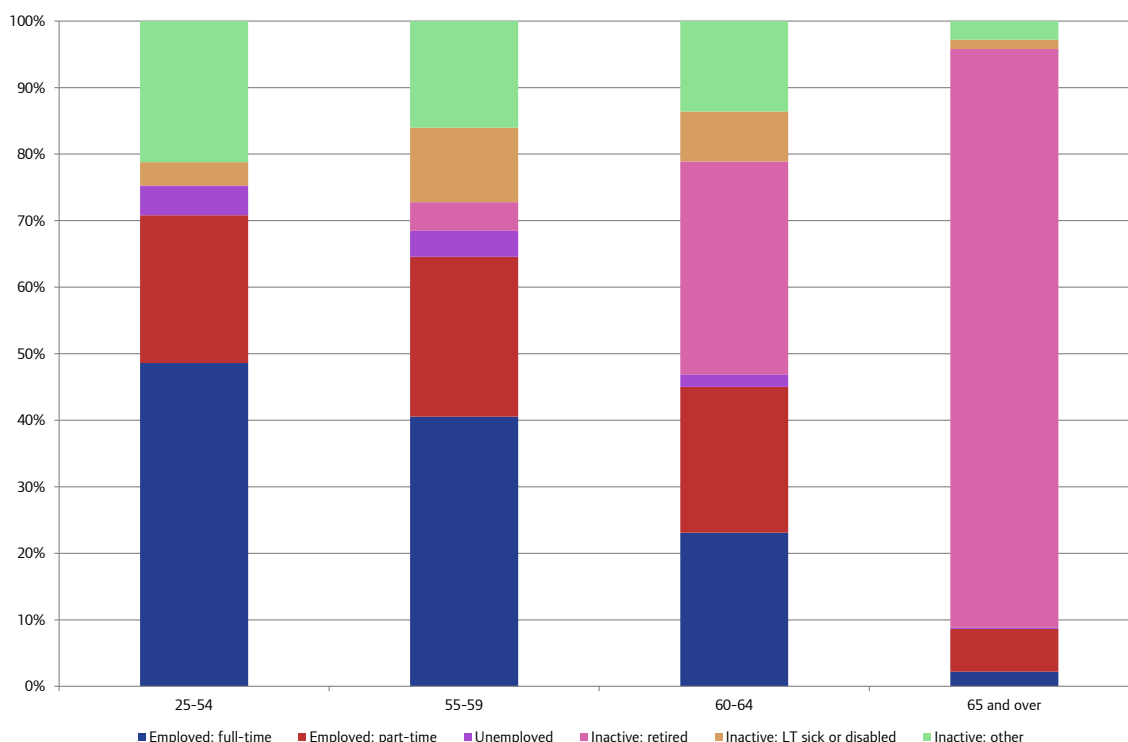
These trends are evident for both men and women in London as shown in Figures 6.100 and 6.101 which alternatively uses ONS Annual Population Survey data. For example, the employment rate for men and women aged 55-59 was 74.6 per cent and 64.5 per cent respectively in 2014, but this dropped to 60.7 per cent and 45 per cent for the 60-64 age group.

**Figure 6.100: Economic activity by age groups for men in London, 2014**



Source: ONS Annual Population Survey

**Figure 6.101: Economic activity by age groups for women in London, 2014**



Source: ONS Annual Population Survey

Interestingly, men were increasingly more likely to be working part-time as they approached the age of 65. For example, the percentage of men who were part-time workers and aged 25-54 was 8.2 per cent, but this increased to 14 per cent for the 60-64 age group. This could suggest that older workers are seeking more flexible working arrangements. For example, Table 6.17 shows the average number of hours worked by full-time and part-time main jobs declining as people get older.

**Table 6.17: Mean actual weekly hours of work (including overtime) by full-time and part-time main jobs for London and the UK in 2014**

Age group	Full-time main job		Part-time main job	
	London	UK	London	UK
16-24	37.9	36.7	15.5	14.6
25-54	38.5	38.0	16.6	17.3
55-64	37.2	37.3	15.9	15.9
65 and over	36.8	38.1	12.3	12.5
<b>All ages</b>	<b>38.3</b>	<b>37.8</b>	<b>16.0</b>	<b>16.2</b>

Source: ONS Annual Population Survey

As Table 6.18 illustrates, the main reason that older people provided for working past the state pension age in 2014 was that they were not ready to stop work (47.8 per cent). Paying for essential items such as bills was cited by 18.9 of older people in London, which was a higher proportion than UK (16.8 per cent). In contrast, 6.4 per cent said it was to pay for desirable items such as holidays and that was lower than 8.3 per cent for the UK.

**Table 6.18: Main reason for working past state pension age for London and the UK, both sexes, 2014**

Main reason	London	UK
To pay for essential items (such as bills)	18.9%	16.8%
To pay for desirable items (such as holidays)	6.4%	8.3%
To boost pension pot	5.8%	7.4%
Not ready to stop work	47.8%	49.5%
Employer needs your experience or you are needed in the family business	4.5%	6.6%
Due to opportunities to work more flexible hours	2.1%	1.3%
Other	14.4%	10.1%

Source: ONS Annual Population Survey

Aside from participating in the labour market, older people may instead participate in the informal labour market by caring for adults, through childcare, or volunteering<sup>73</sup>. Approximately 16 per cent of older people aged 50 or over in London provided care to other adults – 1,700 hours of care per year on average – and 39 per cent are regular volunteers. Moreover, around 85,000 families in London receive childcare from grandparents aged 50 or over amounting to approximately 760 hours per year, but this represents less than 10 per cent and was the lowest rates among the English regions.

One key factor that could affect labour market participation for older people is changes to the state pension age (SPA). There have been a number of proposed changes to the SPA which aim to have the same retirement age for both men and women as well as raise this to 68 between 2044 and 2046<sup>74</sup>. Research by the Department for Work and Pensions (DWP) suggested that raising the SPA (and consequently increasing the working age population) would lead to a smaller increase in the labour force as some would chose to leave the labour market<sup>75</sup> though other effects might include increased consumer spending and business investment (to go alongside an increase in workers).

Another way to illustrate the change in the working age population is through the old age dependency ratio. Figure 6.102 shows a gradual decline in the OADR since 2001 to around 180 older people per 1,000 people who are working age for London<sup>76</sup>. This was mainly a result of faster growth for the 16-64 age group than the over 65 years. Without the planned SPA changes, current population projections suggest that the OADR would rise to 260 by 2041. However, the changes to the SPA between 2015 and 2041 could reduce this to 209 per 1,000 people working age.

**Figure 6.102: Old age dependency ratio per 1,000 people working age for London, with and without planned SPA changes**



Source: GLA Intelligence 2014 round population projections (long-term migration), ONS 2014 round population projections, GLA Economics calculations

## Chapter 6 endnotes

- 1 Population of Austria, 2015: 8,623,073 (Source: Statistik Austria)
- 2 Population of Switzerland, 2015: 8,279,700 (Source: Swiss Federal Statistical Office)
- 3 Greater London Plan 1944, Sir Leslie Patrick Abercrombie
- 3 Disability-free life expectancy (DFLE) estimates lifetime free from a limiting persistent illness or disability. This is based upon a self-rated assessment of how health limits an individual's ability to carry out day-to-day activities and, therefore, DFLE estimates are in part subjective.
- 4 Based on the GLA 2014 round trend-based population projections (long-term migration scenario). This bases the volume of migration flows on estimates for the period mid-2001 to mid-2013. Age and sex characteristics of domestic flows are based on a combination of origin-destination data from both the 2001 and 2011 Censuses. The GLA's trend-based projections use a cohort-component model which projects forward on the basis of recent trends in fertility, migration and mortality. It also includes assumptions about how these trends will change in future, e.g. life expectancy will continue to rise. While no development data is used in the model, past development influences the previous migration trends that are used to project forward. As such, this model implicitly assumes that recent development trends will continue in the future. Further details on the methodology can be found in Update 04-2015 (<https://files.datapress.com/london/dataset/2014-round-population-projections/2015-10-09T09:02:51/update-04-2015-2014rnd-trend-proj-methodology.pdf>)
- 5 The school-age population is taken to be those age 4 to 15 inclusive.
- 6 Primary school is taken to be children age 4 to 10 inclusive.
- 7 Secondary school is taken to be children age 11 to 15 inclusive.
- 8 This is for academic year 2024/25, i.e. September 2024 to August 2025.
- 9 The working-age population is taken to be those age 16 to 64 inclusive.
- 10 These figures are based on Long-Term International migrants who are taken by ONS to be those who change their country of residence for at least one year.
- 11 The ten new countries to join the EU in 2004 were: the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia.
- 12 National Insurance Number (NINo) registrations are used as a proxy for measuring international migration as a NINo is required to work in the UK. However this therefore excludes students, children, retired people and those who do not intend to work meaning that the real number is likely to be higher. Also there is often a lag between arriving in the UK and registering for a NINo and therefore NINo registrations can only be used as an indication of when someone may have arrived in the UK.
- 13 Bulgaria and Romania joined the EU in 2007. However working restrictions were put in place and not lifted until January 2014. This explains the lower numbers of people from these two countries registering for a NINo between 2007 and 2014.
- 14 ONS APS 2014
- 15 EU member countries in 2001: France, Germany, Italy, Portugal, Spain, Aland Islands, Austria, Belgium, Denmark, Finland, French Guiana, Gibraltar, Greece, Guadeloupe, Luxembourg, Martinique, Netherlands, Reunion, Sweden.
- 16 Level 4 includes the following qualifications: Degree (for example BA, BSc), Higher Degree (for example MA, PhD, PGCE), NVQ Level 4-5, HNC, HND, RSA Higher Diploma, BTEC Higher level, Foundation degree (NI),
- 17 Gordon, I & Kaplanis, I (2014). [Accounting for big-city growth in low-paid occupations: immigration and/or service-class consumption, Economic Geography, 90, 1, pg. 67-90](#)
- 18 Devlin, C et al. (2014). [Impacts of migration on UK native employment: an analytical review of the evidence, Occasional Paper 109, March 2014.](#)
- 19 BIS (2015). [The impact of migrant workers on UK businesses](#), BIS Research Paper 217, February 2015.
- 20 Vargas-Silva, C (2015). [The fiscal impact of immigration in the UK, The Migration Observatory, Briefing, Revision 3](#)
- 21 OECD (2013). [International migration outlook 2013: the fiscal impact of immigration in OECD countries.](#)
- 22 The Migration Observatory (2015). [Impact on housing: little systematic evidence of direct and indirect impacts of immigration on house prices, rents and social housing at national and local levels.](#) Accessed on 2 November 2015 at <http://www.migrationobservatory.ox.ac.uk/top-ten/8-housing>
- 23 A communal establishment is an establishment providing managed residential accommodation; "managed" in this context means full-time or part-time supervision of the accommodation. Types of communal establishment include hotels, hospitals and student accommodation.
- 24 This analysis excluded anyone with no fixed place of work as there is no way to know whether or not they work in London or not. A large number working in construction had no fixed place of work.
- 25 ONS Labour Force Survey.
- 26 This is consistent with the ILO definition of unemployment. This is those aged 16 years and over who are out of work, have been seeking work in the last four weeks and are able to start work in the next two weeks.
- 27 This is the number of people claiming Jobseeker's Allowance and out-of-work Universal Credit.
- 28 This is for all claimants aged 16 years and over and not seasonally adjusted.
- 29 For the July 2014 to June 2015 period.
- 30 Workforce jobs data is used here which is conceptually different from the rest of the analysis in this chapter that instead looks at the number of residents. Indeed, the number of jobs usually exceeds the number of people as some individuals may have more than one job.
- 31 The remainder includes HM Forces jobs and Government-support trainees.
- 32 All part-time workers aged 16 years and over.

- 33 This is based on workforce jobs.
- 34 GLA Economics (2015a). Part-time employment in London, GLA Economics, Current Issues Note 42.
- 35 Ibid.
- 36 GLA Economics (2008). The evolution of UK and London employment rates, GLA Economics Working Paper 33.
- 37 GLA Economics (2006). Worklessness in London: explaining the difference between London and the UK, GLA Economics, Working Paper 15.
- 38 Other research also point to certain demographic and environmental characteristics as factors in explaining regional differences in employment and unemployment rates including López-Bazo & Motellón (2013), The regional distribution of unemployment, what do micro-detail tell us, Papers in Regional Science, 92, 2, Pg. 5-21 and HM Treasury (2007), Employment opportunities for all, tackling worklessness in London, March 2007.
- 39 This uses ONS Annual Population Survey data of which the latest estimates refers to 2014.
- 40 GLA Economics (2015a). Part-time employment in London, GLA Economics, Current Issues Note 42.
- 41 See footnote 36 for these charts.
- 42 Full-time students are classed as being economically inactive and can partly explain why the employment rate for the 16-24 age group is lower than the other age groupings.
- 43 Here it is argued that London-specific characteristics such as a larger proportion of ethnic minorities mean that London's employment rate is not necessarily comparable with the UK's. The adjustment process will instead allow for like-for-like comparisons and is done in a two-step process. First, it is assumed that London has the same proportion of ethnic minorities as the UK as a whole – for example, in 2014, the proportion of the population that were from ethnic minorities was assumed to be 13.2 per cent (the same as the UK), down from its actual figure of 39 per cent. The second step is applying the actual employment rates for the various ethnic groups in London to the population estimates, so the actual employment rate of ethnic minorities in London of 62.5 per cent is applied to 13.2 per cent of the population. Overall, this means that the only change during the adjustment process in the percentage of the population who were from ethnic minorities.
- 44 A working family is a family unit containing at least one person aged 16-64 and at least one person aged 16 or over is in employment. A workless family is a family unit containing at least one person aged 16-64 and has no one aged 16 or over in employment.
- 45 A lone parent family contain a lone parent and at least one non-dependent child.
- 46 Dependent children are children under the age of 16 and individuals aged 16-18 years who are not in full time education and have never been married.
- 47 Rosso, A et al. (2015). [What explains the growth in 'never-worked' households](#), Joseph Rowntree Foundation.
- 48 Resident basis.
- 49 Both core and work-limiting disabilities in line with the Equalities Act.
- 50 Workplace basis.
- 51 GLA (2008). Women in London's economy, 4th edition.
- 52 The 2009 Annual Survey of Hours and Earnings was the first to publish regional breakdowns of private and public sector pay. This excluded Northern Ireland.
- 53 These rates are calculated by dividing the total number of under/overemployed workers by the total number of people in employment that have a known under/overemployment status.
- 54 All UK data for the April to June 2014 period.
- 55 This definition may also include other contracts which are not explicitly zero-hours, but ZHC is used here to describe this broad category.
- 56 Bell & Blanchflower (2013). [Underemployment in the UK revisited](#), *National Institute Economic Review*, 224.
- 57 ESRC Centre on Migration (2009). [An evidence base on migration and integration in London](#).
- 58 Rosso, A (2013). [Skill premia and immigrant-native wages gap](#), *Centre for Learning and Life Chances in Economies and Societies*, Research paper 45.
- 59 Stirling, A (2015). [Migrant employment outcomes in European labour markets](#), Institute for Public Policy Research.
- 60 This is supported by other research including Green & Zhu (2010), Chevalier (2003) and Chevalier & Lindley (2009).
- 61 The definitions used here are consistent with UKCES (2015) and are as follows: high-skilled occupations – SOC 1-3; middle-skilled occupations – SOC 4 and 5; service-intensive occupations – SOC 6 and 7; and labour-intensive occupations – SOC 8 and 9.
- 62 Workplace basis.
- 63 Mirza-Davies, J (2015). [NEET: young people not in education, employment or training](#), House of Commons, Briefing Paper, Number 06705, 21 May 2015.
- 64 This includes all ethnic groups other than White British.
- 65 This is defined as Physics, Biology, Chemistry, Other Science, Mathematics and Further Mathematics, Design & Technology, Computing and ICT.
- 66 Hodgson, A & Spours, K (2014). [What is happening with 17+ participation, attainment and progression in London?](#) Paper 3: colleges in London. Institute of Education, University of London, September 2014.
- 67 This is the first year of comparable data.

- 68 It has not been possible to track the same year group through their entire education pathway due to data limitations. Instead, this analysis is based on the latest destinations data from various sources. For example, the KS4 destinations data reported that 92 per cent of pupils continued on to KS5 and, of these, the KS5 destinations data reported 75 per cent going on to university. In reality, destinations may be affected by both endogenous (i.e. characteristics of the year group itself) and exogenous (i.e. economic conditions) factors and may not be reflective of future cohorts. Furthermore, KS4 destinations by attainment are not available meaning the proportion achieving either no or other qualifications is unknown.
- 69 This is the number of jobs in London for all ages and people.
- 70 From September 2013, the participation age rose from 16 to 17; and from September 2015, this again rose from 17 to 18. Young people must stay in full-time education, start an apprenticeship or be in work whilst in part-time education.
- 71 This is based on Census 2001 and 2011 data.
- 72 This definition reflects the timetable that the state pension age will be 65 for men both men and women in April 2016 and also data limitations.
- 73 GLA Economics (2013). [The economic contribution of older Londoners](#), GLA Economics, July 2013.
- 74 These are covered under the Pensions Acts 1995, 2007, 2011 and 2014.
- 75 Barrell, R et al. (2011). [The macroeconomic impact from extending working lives](#), Department for Work and Pensions, Working Paper 95.
- 76 The working age population is defined as 16 years to SPA; older people are conversely defined as being the SPA or older.