

**Our London. Our Future.**  
Planning for London's Growth II  
Main Report - November 2005



Transport  
for London

MAYOR OF LONDON

LONDON  
DEVELOPMENT  
AGENCY

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## Foreword

London is a city where change is a fact of life. Its ability to respond to economic, social and environmental challenges is one of the reasons for its success – and for it being the world's most exciting place to live and work. The sheer scale and scope of change however, sometimes makes it difficult for policymakers and others to grasp how and why things are developing, and to understand clearly just what the capital is capable of. This report helps make some of these questions clear.

This is particularly important given how fundamental change has been over the past thirty years. London has faced – and adapted to – huge changes in the global economy. This has not only reinforced its status as one of three truly world cities at the centre of international flows of capital; it has also consolidated its historic diversity which has added to its vibrancy and success. These developments have given London an even more critical part to play in the success of the UK and they have refashioned London's own economic and social geography. Virtually no part of Londoners' lives, whether at home, at work or at play, has gone unaffected.

This report explains these changes, and some of the reasons for them. It shows that globalisation has presented London with rich opportunities, but also with some challenges. Success in today's global marketplace means making sure attention and investment is given to the basics supporting success – the availability of suitably skilled people, internal and external transport links, good quality communications and other infrastructure, and a high quality environment. In some of these, London fares well. In others, including transport and pollution, surveys of businesspeople show more action is needed if London is to maintain its status as the best European city in which to locate a business.<sup>1</sup>

Not everyone, of course, has shared in London's success. As this report shows, too many groups within our city have fallen behind and faced barriers to participating fully in its prosperity and the other things it can offer. There are many complex and interlinking reasons for this, and tackling these problems will require sustained investment and action.

There is a common myth, often raised in the debate about regional policy in the UK, that London is economically overheated, and that this is distorting the position in the UK as a whole. This report shows that this could not be further from the truth. In fact, London has very substantial unused resources – you have only to look at its high unemployment and low employment to see that is the case. It faces a range of bottlenecks that prevent these unused resources being put fully to work. Tackling these needs investment and action in areas like reducing barriers to employment, childcare and skills; improving the supply of homes; and improving transport.



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This report shows how dealing with these problems makes economic, social and environmental sense not only for London and its people (although they do), but also for the UK as a whole. Indeed, unless these issues are tackled within the capital, national targets across a range of policy areas cannot be met. Success in London is crucial to the country's success; working together with our counterparts across the UK we can make a real contribution to promoting national priorities and objectives.

I am about to start the process of revising my *London Plan*. In general, the analysis and direction of the first plan have proved robust. This report highlights some of the important issues I will be considering, and provides a solid information and evidential base. It shows what is changing in our capital, and what we have to do to sustain success in our future.

A handwritten signature in black ink that reads "Ken Livingstone". The signature is written in a cursive, slightly slanted style.

**Ken Livingstone**  
Mayor of London

## Executive summary

### The changing world economy

Globalisation is no new phenomenon. Increasing world trade has driven world growth over many decades, but has taken different forms over the years. Two aspects are now emerging which are especially important for London.

One is how trade itself is changing. It is no longer just a matter of shifting physical objects around the world. Trade is increasingly in services, in technologies, and in capital. It may not involve any physical movements at all. International earnings in the City of London involve trading assets where only electronic circuits move. International lawyers, accountants, advertising agencies and designers may earn foreign currency without ever leaving their desks or coffee shops. London trades just as much of its output as the rest of the UK, but it is much more geared to the services' side which is faster growing.

The other crucial element is the wakening of the sleeping giants. China and India are two of the most populous countries in the world but have been isolated economically for many years as the result of their own economic policies. That has changed over the last 20 years and it is now obvious how successful this change of direction is and how it is now embedded in their performance. Although the ride to full global status is likely to be bumpy, the scale of growth performance in both countries suggests that this new path will not be reversed. In due course, they will both be amongst the largest world economies. London has significant communities from both countries and its open trading attitudes make it well placed to benefit from these new trends.

### London and the UK

Moreover, it should not be forgotten that the UK itself is a world-class player – and as things stand, the fourth largest economy in the world.

When the UK grows, so does London and vice versa. London's performance and specialisations complement those of the rest of the country, in both industries and in people. London acts as an escalator region, into which skilled young people come for career advancement before moving on into other regions, partly as commuters back into London but also to work elsewhere.

Commuting can be an efficient way of providing for the large labour force which comes into central London to generate the high output and productivity which makes London so successful. More than 80 per cent of commuters into central London arrive by train, and the transport emissions per capita in London are lower than in any other region.



However, this process can also put pressure on regions such as the South East and East, where the demand for housing from such migrants have caused difficulties, particularly as house price differentials have opened up. It is crucial that London provides more of the housing that its population needs and wants, while recognising that the pattern of commuting is one that is deeply embedded into the life patterns of many families.

The story of migration is central to London's story. Many of the new arrivals into London's economy are not only migrants from the rest of the UK but from other countries. More than a third of London's resident labour force was born in other countries. This provides major opportunities to develop new skills and access new markets; but it also provides different challenges.

London both provides great opportunities and great risks. There are areas of great wealth but also the highest levels of deprivation. Deprivation is often the result of a mix of characteristics which make it difficult to escape worklessness. These have an ethnic dimension as well as those surrounding skills and housing. Migrants are not only from minority groups – 40 per cent of migrants are white, while 44 per cent of London's ethnic minorities were born in the UK.

Diversity can be an overused word. But London is truly diverse in its mix of populations, skills and opportunities. The challenge is to ensure that the opportunities are open to all. From the difficulties facing women wanting part-time work to the difficulties faced by immigrants with a poor grasp of English, the result contributes to a relatively high rate of worklessness, which has been worsening in recent years.

Although employment is growing and this is projected to continue, it will have to do so at a rapid rate to bring down the rate of worklessness. And investment is necessary to ensure that this can be achieved.

### **The economic geography of London**

London is not just a series of concentric rings. There are some pillars of employment, some corridors which link them more or less effectively, and a number of residential centres and suburbs. The pillars are central London itself and the Isle of Dogs, with Heathrow in the West and Croydon in the South. These currently have 30 per cent of London's employment, and this is growing, though Croydon has been shrinking in recent years. The growth is largely because central London has maintained overall its share while the Isle of Dogs has doubled its employment since 1995.

Surrounding and linking these are corridors, which have also been growing faster than the London average, especially in the west, while the more residential areas have become more focused on supporting employment.



The concentration of employment enables activities to benefit from agglomeration – the additional productivity generated by bringing things together. This is particularly obvious in the services concentrated in the central area and increasingly in the Isle of Dogs. The central area has centres of finance, of business services, of creative industries, of leisure, retail and the entertainment industries.

But a growing population will also generate needs for employment closer to home. Schools, hospitals, and estate agents all create jobs. An increasingly diverse population will create diverse employment needs and potential specialisations.

Creating a successful London means creating one in which people live and work where they want to and where they can easily find the services that they need. Two-thirds of Londoners work outside their borough of residence and it is impossible to identify sub-London labour markets. Commuting and other forms of travel are the glue that knits London together.

As the population grows this will continue but it cannot remain a static pattern. Population growth needs to be provided for in London and this means ensuring that the Thames Gateway is a desirable place in which to live. For it to be desirable for residents, it needs good accessibility in all directions, though especially to the main centres of employment. Crossrail is essential. By becoming a desirable residential location, it will of course also be attractive to local employers and to some inward investors. The investment in the Olympics will enable us to accelerate the process by which these locations can become attractive places to *live*. This is a pre-requisite for them becoming attractive places to *work*.

### **Addressing bottlenecks**

An attractive London requires the ability to make the most of London's assets – its people, its environment and its infrastructure. Investment is required in all of these. Schools, skills and circumstances are all issues.

Housing is also key. The sites are available, but the speed of house building has dropped. It is not just a matter of speeding up construction but also of ensuring that the right range of accommodation is built. Social rented is one component, but so too are houses for sale and mixed tenure occupation.

People exist within their environment. Climate change is the largest element in this agenda though not all its effects are felt locally. Climate change is an opportunity for business as well as requiring the need to invest in lower emissions. And the environment also encompasses the availability of parks, clear air and other aspects which are increasingly important to residents.

Infrastructure is never sufficient. There could always be less crowded trains, but every activity also competes for space. More thought needs to be given to how we take advantage of the less crowded parts of the existing system as well as what mix of new investments are needed. Freight, service vehicles and commuting will all grow as London grows.

And new demands will need new services, at rising numbers of trips in the morning peak put increasing pressure on services. Transport for London's existing five-year plan will need to be extended. It includes the Thames Gateway Bridge but not Crossrail for example. Retail demand will also need infrastructure support. Oxford Street is the biggest concentration of retail floorspace in the UK but access to it and along it is congested and difficult. Supporting this aspect of London's agglomeration is important.

London is successful and growing. This helps the UK and indeed the world economy to grow. To take advantage of the new opportunities opening up in the world, London must become still more open and innovative. Tackling discrimination and removing barriers so that all Londoners can best deploy their talents will continue to be a key policy priority. Ensuring London's economic vibrancy and tackling its social problems will need investment and supportive policies.

# 1 London and the changing world economy

## The changing world economy

The world economy is changing at an extremely rapid pace. Two major trends which are likely to shape the economic environment of the UK and London over the next generation are the increasing connectedness of markets across the world – known as globalisation – and the shifting balance of the world economy. This chapter considers how these changes will affect London's economy and sketches the outline of some of the key opportunities and challenges that London will need to engage with if it is to remain a successful world city.

Globalisation has been usefully defined as 'the integration of economies through markets across frontiers'<sup>2</sup>. The process itself is not new – although in the early 21<sup>st</sup> century there are some new elements such as global branding, and global division of production within companies. In the 19<sup>th</sup> and 20<sup>th</sup> centuries the countries, continents and regions of the world have gone through periods of increasing openness and trade, as well as periods of greater protectionism and isolation. However, the pace of change is new, as well as the scale and scope of change, affecting ever more people and products across the world. Globalisation also interacts with the other major economic trends likely to shape the world economy, especially with the rise of Asian countries as economic superpowers. The geographic shift in the balance of economic power in the world is manifest in the rise of countries such as China, India and Russia, which are predicted to play an increasingly important part in the world economy over the coming decades.

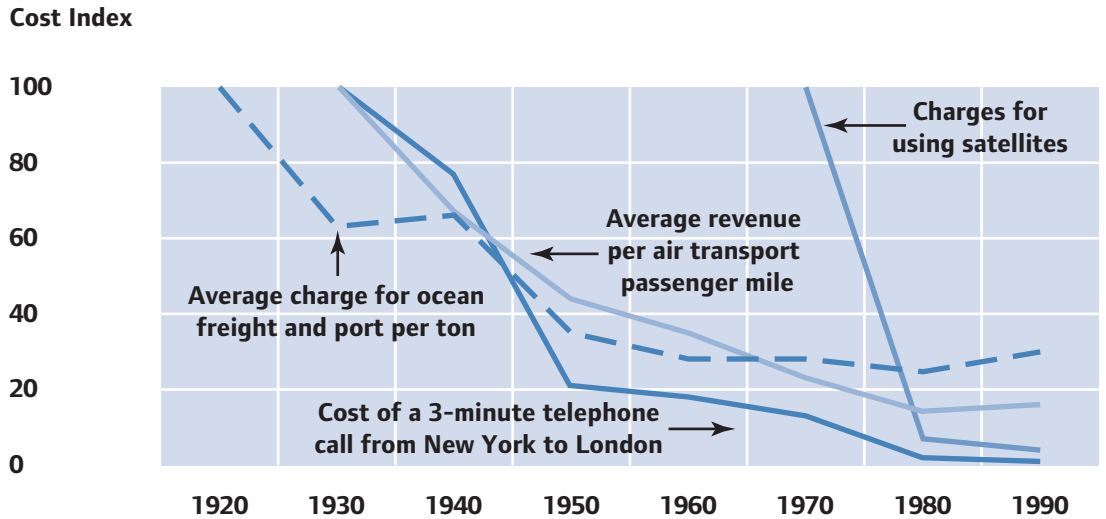
The driving factors behind globalisation have primarily been:

- mass production technology and the international organisation of production
- the reduction in transport and communications costs
- economic liberalisation – countries opening up markets to international trade

These enabling trends are illustrated below. Figure 1.1 shows that transport costs by sea have come down by around 70 per cent since 1920. The cost of a three-minute telephone call from New York to London has fallen from around \$250 in 1930 to a few cents today.<sup>3</sup>



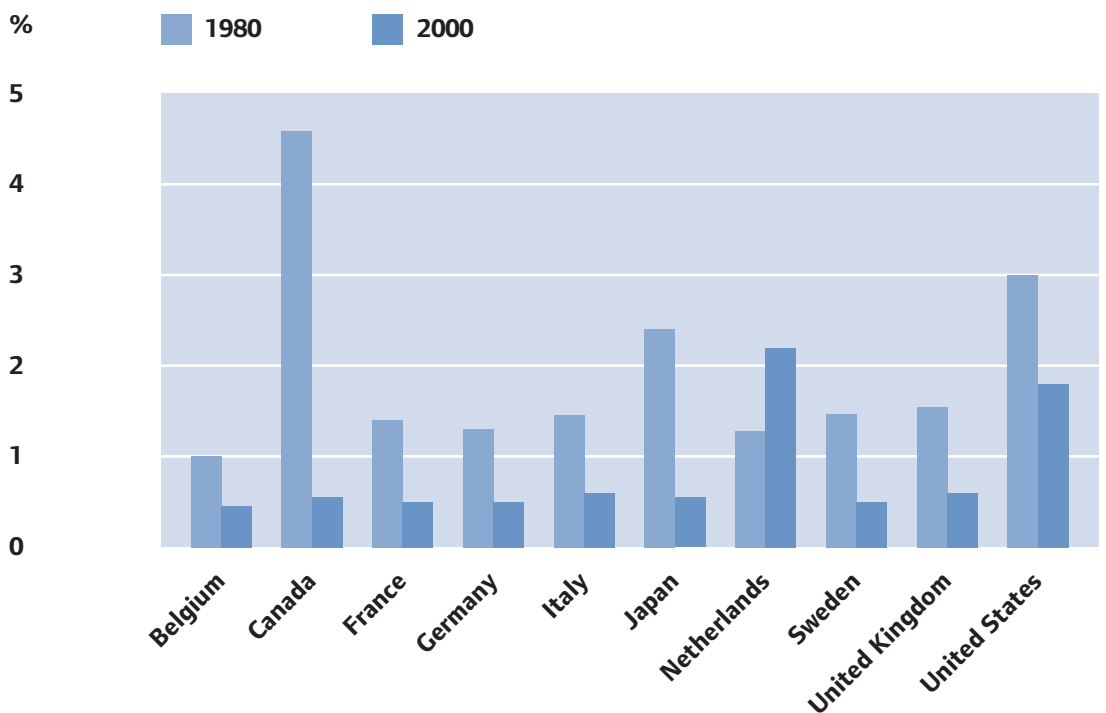
Figure 1.1 The falling costs of transport and communication



Source: UNPD, INTELSAT

As well as the drop in the cost of communication and transport across vast distances – due to advances in technology – the post-war period has also seen a significant reduction in barriers to international trade and capital movements. Figure 1.2 shows that even in the two decades since 1980 tariffs among developed countries have come down by 1/3-1/2 (with the exception of Japan)<sup>4</sup>.

Figure 1.2 Economic liberalisation – Tariff rates as a percentage of total import costs

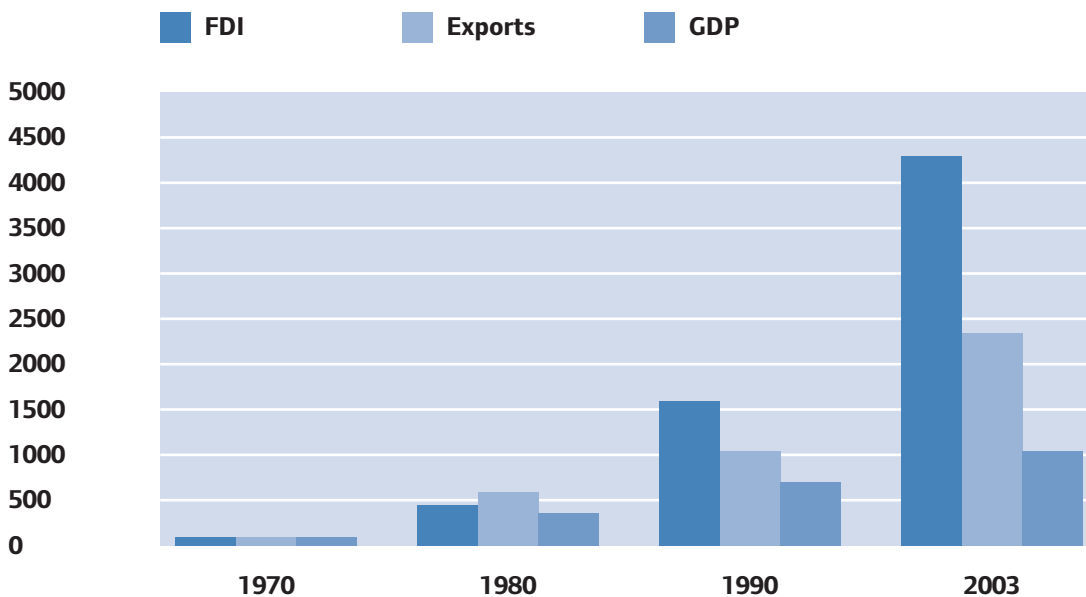


Sources: Bank of England estimates, EU Commission, United Nations and World Bank

The development of standardised and nearly universally utilised IT has proved an enabling technology supporting global communication and trade. A notable feature of globalisation in the last 30 years has been the development of global service sector companies such as McDonalds and Walmart.

The result of these changes has been that the international movement of goods, capital and to some extent services has increased dramatically. Figure 1.3 shows that while world output has increased by a factor of 10 since 1970, exports have increased by a factor greater than 20 and Foreign Direct Investment (FDI) has increased by a factor of more than 40.

Figure 1.3 The rising importance of trade and capital flows World output (GDP), exports and Foreign Direct Investment (FDI), Indexed, 1970=100



Source: HMT

The world has also seen the globalisation of labour as well as trade and capital flows. However the movement of people has not increased as dramatically. Table 1.1 shows that the number of international migrants has more than doubled between 1970 and 2000. However, this change roughly corresponds to the increase in population in the world over that time (world population doubled between 1960 and 2000). Moreover, analysis by the UN body the International Organization for Migration indicates that this is to a large extent the result of the creation of new states through, for example, the break up of the former Soviet Union.<sup>5</sup> The economic forces of globalisation, by reducing the costs of transportation among other things, have undoubtedly increased the possibility and desire for greater migration. However, the movement of people is subject to far more controls and restrictions than the movement of goods and services.

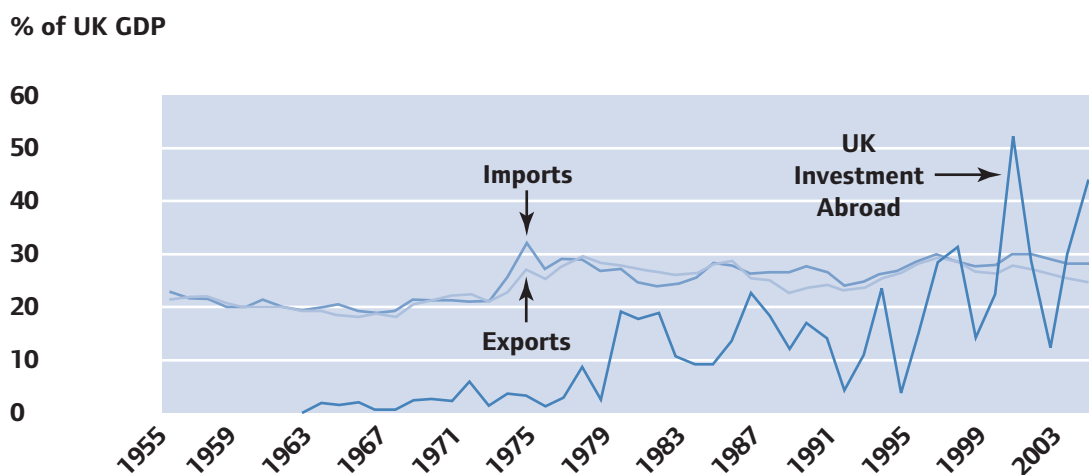
Table 1.1 World Migration 1970 to 2000

Major area	Number of international migrants (millions)				Average annual rate of growth of the number of international migrants (percentage)			International migrants as a percentage of the population		Percentage distribution of international migrants by region	
	1970	1980	1990	2000	1970-1980	1980-1990	1990-2000	1970	2000	1970	2000
World	81.5	99.8	154.0	174.9	2.0	4.3	1.3	2.2	2.9	100.0	100.0
Developed countries	38.3	47.7	89.7	110.3	2.2	6.3	2.1	3.6	8.7	47.0	63.1
Developed countries excluding USSR	35.2	44.5	59.3	80.8	2.3	2.9	3.0	4.3	8.3	43.2	46.2
Developing countries	43.2	52.1	64.3	64.6	1.8	2.1	0.0	1.6	1.3	53.0	36.9
Africa	9.9	14.1	16.2	16.3	3.6	1.4	0.0	2.8	2.0	12.1	9.3
Asia	28.1	32.3	41.8	43.8	1.4	2.6	0.5	1.3	1.2	34.5	25.0
Latin America and the Caribbean	5.8	6.1	7.0	5.9	0.7	1.3	-1.7	2.0	1.1	7.1	3.4
Northern America	13.0	18.1	27.6	40.8	3.3	4.2	3.9	5.6	12.9	15.9	23.3
Oceania	3.0	3.8	4.8	5.8	2.1	2.3	2.1	15.6	18.8	3.7	3.3
Europe	18.7	22.2	26.3	32.8	1.7	1.7	2.2	4.1	6.4	22.9	18.7
USSR (former)	3.1	3.3	30.3	29.5	0.5	22.3	-0.3	1.3	10.2	3.8	16.8

Source: United Nations, 2003, Trends in Total Migration Stock: The 2003 Revision.

For the UK, which has long been a relatively open trading economy, the more dramatic impact of globalisation during the last two to three decades has been in capital flows rather than in increased trade. Figure 1.4 shows that while exports and imports have remained a fairly constant proportion of UK GDP, staying at around 25-30 per cent since at least the mid-1970s, capital flows have increased significantly. UK investment in the rest of the world has risen from around five per cent of UK GDP in the mid 1970s to around 30-40 per cent in the early 2000s (although as can be seen this series can fluctuate substantially from one year to the next). Investment by foreigners in the UK has followed a similar trend, increasing from around one to two per cent of GDP in the 1960s to around 35-40 per cent in recent years.

Figure 1.4 Globalisation of trade and capital flows for UK exports and imports (of goods and services) and UK investment abroad as a percentage of GDP



Source: ONS

## Globalisation and London

London's position as one of the major world cities alongside New York, Paris and Tokyo means that it is in a strong position to gain from these developments. The definition of London as one of the leading world cities is based on a literature exploring the role of world cities in the global economy.<sup>6</sup> World cities are centres of power and influence that affect not just the city's national economy but also the global economy. In recent years this area of study has grown substantially. There are several ways of measuring the importance or influence of world cities, from looking at the number of control centres such as corporate headquarters, especially of global companies, that a city hosts to looking at the number of linkages with other cities and countries. On all these measures London is a leading world city. In terms of connections to other cities, London is the most connected, with New York in second place.<sup>7</sup> It is one of the world's three largest centres of finance and business services alongside New York and Tokyo. The Corporation of London has calculated that in 2003 London accounted for around 54 per cent of all city-type activity in the EU. London's share has been greater than 50 per cent since 1998.<sup>8</sup>

Jobs in London in the financial and business services sector doubled as a proportion of all jobs between 1971 and 2003, from around 730,000 to around 1.4 million jobs – or nearly one in three of London's jobs. During the same period manufacturing jobs fell from around 27 per cent of jobs to around six per cent, or from 1.3 million to around 270,000 jobs – see Figure 2.11 in Chapter 2.

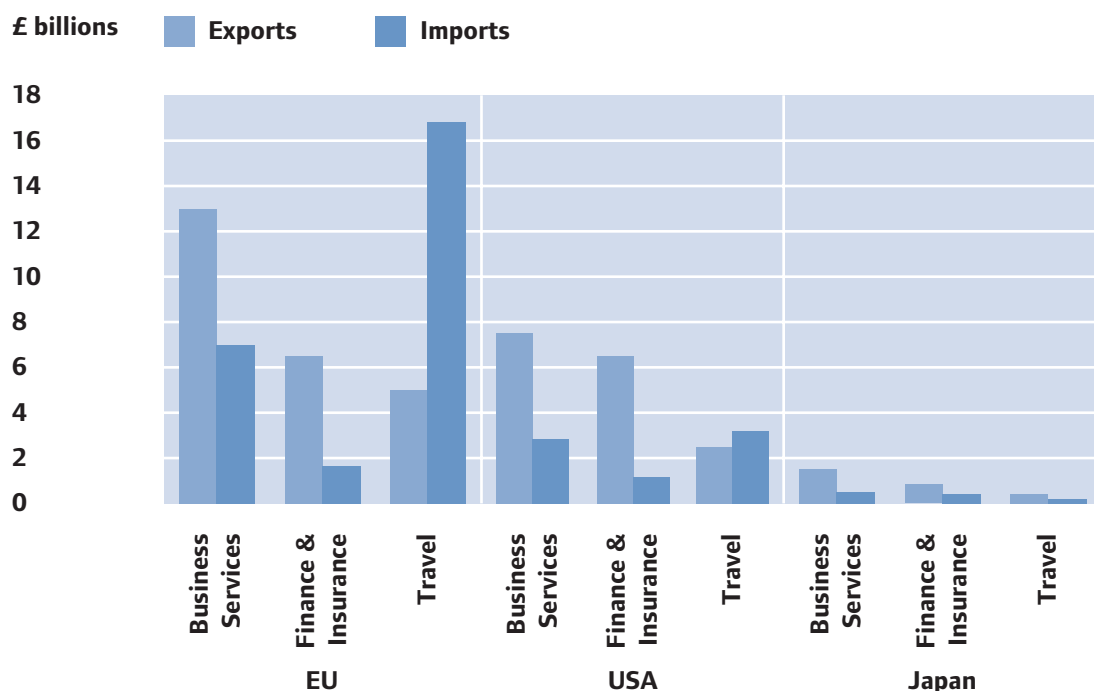
The rise of the service sector and the relative decline of the manufacturing sector has been an important trend in all developed economies over the last few decades.<sup>9</sup> It is another aspect of the growing integration of markets regionally and globally. Manufacturing and associated activities have been moving to lower cost regions and countries. In particular in mass produced manufacturing, where the cost base drives profitability, lower cost regions and countries are playing a growing role.<sup>10</sup> More specialised and customised manufacturing continues to be profitable even in relatively high-cost regions such as London. This trend is connected to the rise of Asian countries such as China which have become global centres for (especially) low-cost manufacturing.

In the UK, as in other developed countries, the service sector has become the most important part of the economy. In 2001 the service sector accounted for, on average, 72 per cent of GDP in developed countries and 52 per cent in developing countries.<sup>11</sup>

In the tradable sector of the economy, trade in goods remains more important than trade in services. In 2004 the total value of service exports and imports was only around 40 per cent of the value of goods exports and imports. However, trade in services has been growing fast. Between 1994 and 2004 trade in services (exports and imports) rose by over 110 per cent, while trade in goods rose by around 50 per cent.

For the UK in 2003, the most important traded services were financial and business services, followed by travel (tourism and related, e.g. air travel). The most important markets for UK services were the European Union and the US (see Figure 1.5).

Figure 1.5 UK Trading relationships in services, 2003



Source: ONS

London trade statistics have been estimated by GLA Economics.<sup>12</sup> For London, which as previously noted is more geared towards service sector activities, trade in services is also more important than for the UK (relative to output). This is shown in Figure 1.6, which illustrates that while London is approximately as trade-oriented as the UK as a whole, the emphasis in London is on trade in services rather than goods.



Figure 1.6 Exports of goods and services as a percentage of GDP – UK and London, 2002

% of GDP



Source: GLA Economics

Globalisation and the lower costs of transport and communications have made increasing international trade in services possible. As technological advances makes trade in services more feasible there is also increasingly scope for more standardised forms of service activities to be moved out of London to lower cost areas. This has already happened to some extent with service activities such as call-centres having in the main moved out of London. And a certain amount of this type of service sector activity has moved abroad – though the scale of ‘off-shoring’ is often exaggerated. Losing some jobs is not a problem for the London or UK economies as long as they continue to create more.<sup>13</sup>

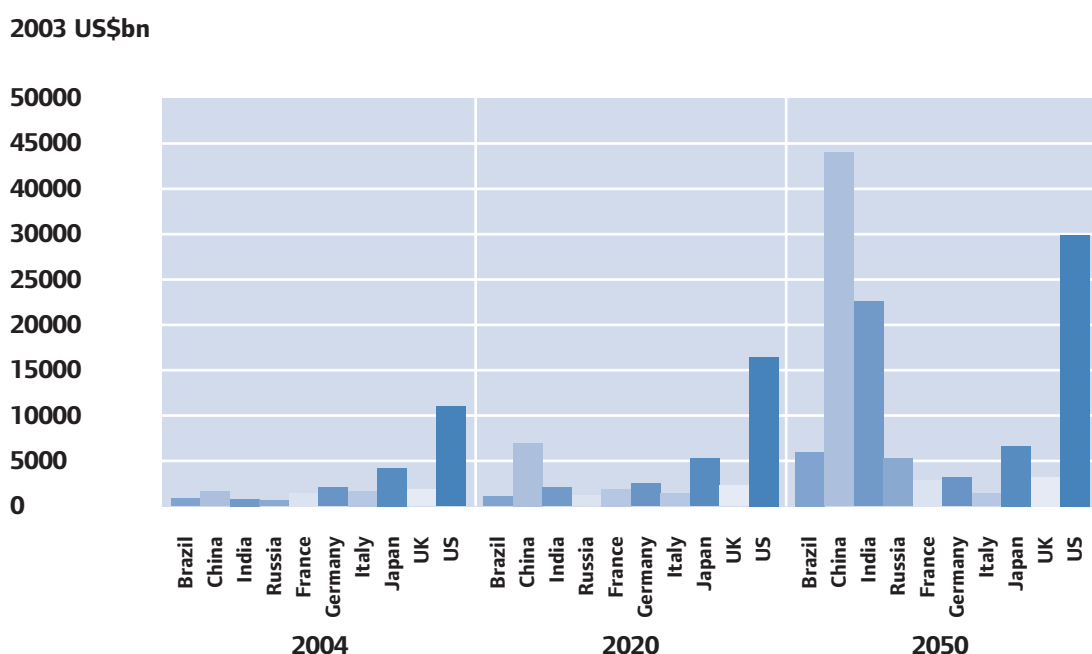
Jobs that are relatively low-productivity and require relatively low levels of training are likely to relocate to lower cost areas where they can produce as much but more cheaply. Some recent research suggests that cities often act as innovation centres where new products and services are developed, but that production moves out of cities as soon as it becomes possible to produce the same good or service more cheaply elsewhere.<sup>14</sup> Out-sourcing and off-shoring can thus be seen as a natural part of the product-cycle. It does not necessarily present a threat to high-cost cities such as London as many of these jobs have already relocated outside London. A recent study for the Corporation of London on the impact of off-shoring on high value-added City-type services concluded that the sorts of functions vulnerable to off-shoring were the less complex and those less concerned with risk management. It argued that the likely net employment effect would be likely to be negligible.<sup>15</sup> Analysis of the likely impact of off-shoring on the world economy is provided in the World Trade Report 2005, which argues that off-shoring benefits both importing and exporting countries.<sup>16</sup>

This section has examined the recent trends in the world economy and how they affect the UK and London’s international trade. It is clear that London and the UK are well positioned to benefit from the opportunities produced by globalisation. Since London has already lost a large number of its more standardised manufacturing jobs, it is likely to be less vulnerable to any further weakness in the manufacturing sector than the UK as a whole. In addition, with its strength in specialised services including the financial and business services and creative industries sectors, London is in a good position to benefit from the current and expected changes in the world economy – from increasing flows of capital to rising trade in services.

### A shifting balance in the global economy

The rapid growth of some developing countries over the last decades, especially China and India, means that the ranking of the world’s biggest economies could be substantially different in 10-20 years time compared with today. A study by Goldman Sachs projected the GDP for various countries (including the BRICs – Brazil, Russia, India and China) to 2050. The results are shown in Figure 1.7. China is projected to become the second biggest economy by around 2020 and will overtake the US to become the world’s biggest economy by 2050. By 2050 India will be the third biggest economy after China and the US, and Russia and Brazil will be around the same size as Japan.

Figure 1.7 The world’s biggest economies in 2004, 2020 and 2050



Source: Goldman Sachs

These countries have had an important impact on the world economy by boosting the effective world supply of labour and producing goods at low cost which can then be imported into developed countries, reducing destabilising inflationary pressure. However, as these countries grow and become richer they are also becoming huge markets for the goods and services that the UK and other developed countries provide. The Goldman Sachs study estimates that by 2050 Russia will have a GDP per capita approximately equal to that of France or Germany. China will have gone from a GDP per capita around three per cent of that of the US to around 37 per cent, and India from around one per cent to a GDP per capita equal to 21 per cent of that of the US.

These countries would represent extremely important markets for the UK and other developed countries. Chinese and Indian consumers will purchase more insurance of various types as their incomes increase, and as businesses grow they will require more of the professional, legal, accountancy and advertising services in which London has a competitive advantage. In particular, the need in China and Russia for reform of the financial system and of state-owned enterprises suggests opportunities for legal services firms as well as for financial and general business consultants. In India, there may be similar opportunities as the economy becomes increasingly exposed to international markets and competition, and as greater investment flows into the country.

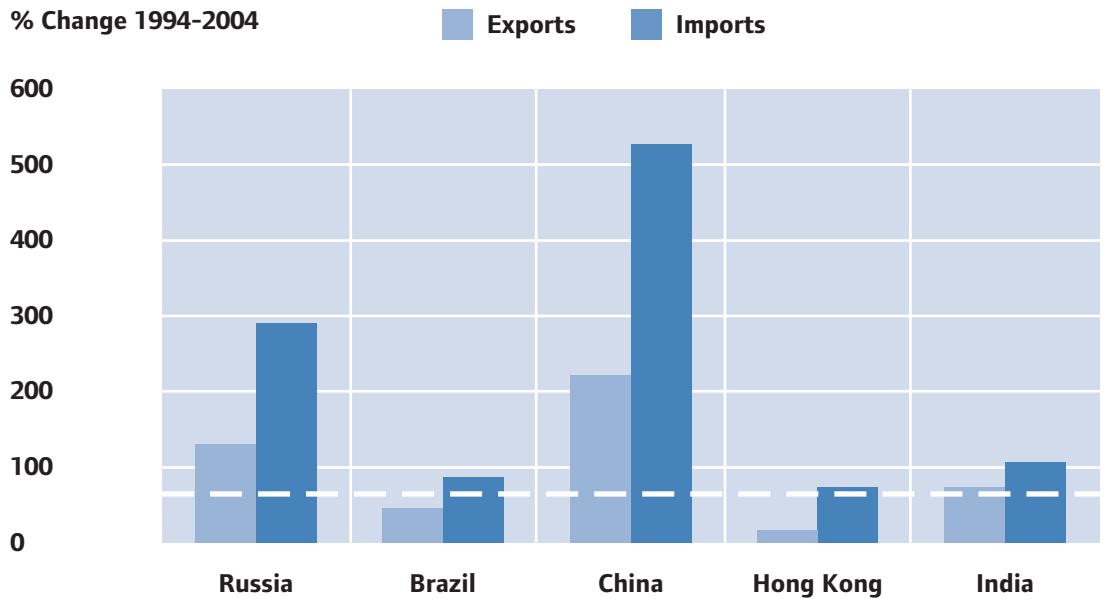
### **Increasing trade with the UK**

Trade between the BRIC countries and the UK has already increased greatly in the last decade. Compared to an average change for trade with the rest of the world of around 70 per cent between 1994 and 2004, trade with China has increased by over 400 per cent and with Russia by over 200 per cent.<sup>17</sup> In 2004, the UK exported around £3.4 billion worth of goods and services to China, and imported around £11 billion. UK exports to Russia were around £2.3 billion and imports around £3.9 billion. Trade with India increased by around 90 per cent in the period, less than with Russia or China, but from a higher base. In 2004, the UK exported around £3 billion to India and imported around £3.3 billion.

As Figure 1.8 shows, for all of these countries UK imports have grown more than exports. And Figure 1.9 shows that in 2004 the UK had a trade deficit with all of them.<sup>18</sup> Looking only at trade in services however, the UK reported a surplus with all except India. The UK has had a services trade surplus with the rest of the world for many years, which partly offsets its deficit in goods trade.

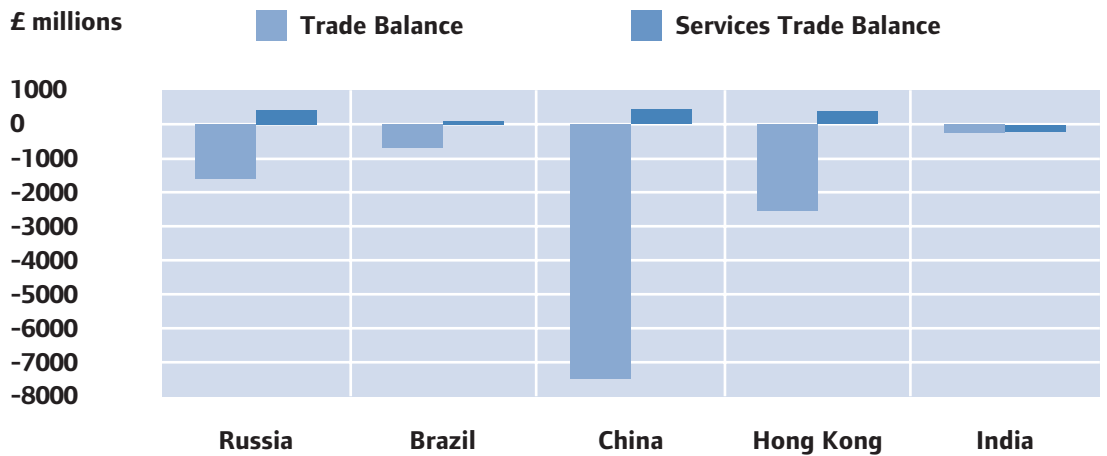
The services that the UK exports to countries like China, Russia and India are primarily financial and business services and some transport and travel services.

Figure 1.8 Increase in trade (exports and imports) with the UK.  
Dotted line shows average change for UK trade with rest of the world (61 per cent for exports and 77 per cent for imports)



Source: ONS

Figure 1.9 Total trade balance (goods and services) and the trade balance in services, 2004



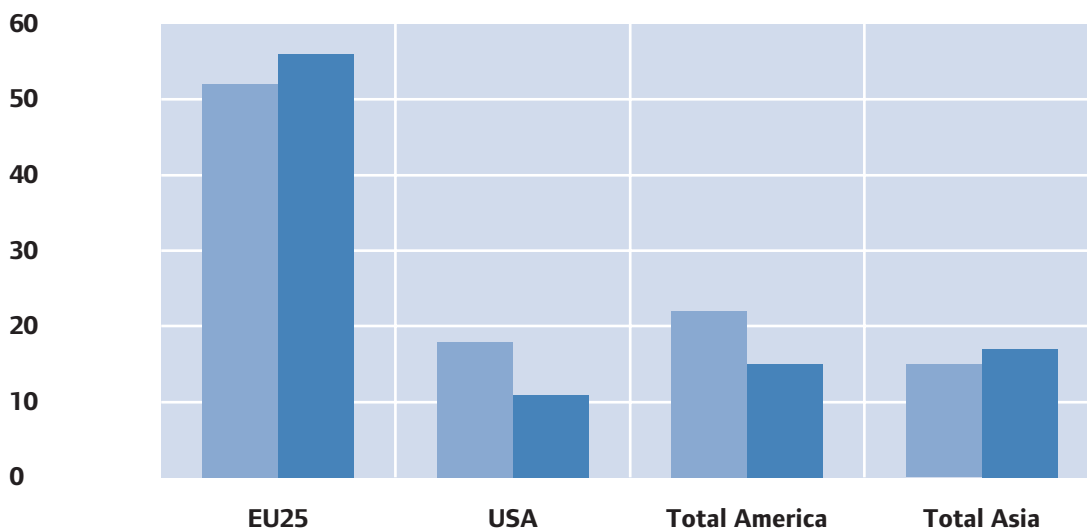
Source: ONS

As well as increasing trade, the BRIC countries will also provide valuable investment in the London and UK economies as they grow richer. Studies by GLA Economics into Foreign Direct Investment (FDI) from China and India<sup>19</sup> suggest that London accounted for around 13 per cent of the number of Chinese FDI projects into Europe in 1997-2004, and the UK as a whole accounted for around 46 per cent. Indian FDI projects into Europe also seem strongly concentrated in London, with London accounting for 46 per cent of projects between 1997 and 2004 and the UK as a whole accounting for around 59 per cent.

It is important of course to remember that while the BRICs will constitute increasingly important markets for London over the next decades, the European Union and the United States and Japan will continue to be large and important players in the world economy, and these economic relationships will remain crucial. Figure 1.10 shows that the (enlarged) EU currently accounts for more than 50 per cent of both exports and imports for the UK, the US accounts for around 18 per cent of exports, while the important emerging economies of China, India, Russia, South East Asia and the Middle East account for around 12 per cent of exports. Total Asia (which also includes Japan) accounts for around 15 per cent of UK exports. These trade relationships are likely to persist for some time.

Figure 1.10 Goods and services (as a proportion of total trade for UK) traded with the UK's three most important trading partners (2004)

% of Total UK



Source: ONS

Similarly, the most important sources of FDI into London are the USA (which accounted for around 46 per cent of FDI stock employment and GVA),<sup>20</sup> France (with 12 per cent of employment); the Netherlands; Germany; and Japan. This ranking probably reflects the fact that these countries have been investing in the London economy for a long time.

While the rising economies of China, India and Russia are likely to provide strong competition to the UK and London, these countries will also become increasingly important markets for exports (especially in services). London's sectoral mix and its internationally competitive service sectors (particularly financial and business services) will allow it to benefit from the opportunities created by the current and expected growth of the BRICs economies.

## Conclusion

Over the last two decades, London has managed to thrive in the changing world economy. It has grown despite several traditional industries declining or moving out of the capital. It has continued to create new jobs that more than replace those that have moved away or disappeared.

The continuing globalisation of the world economy and the rise of developing countries such as China, India and Russia will present challenges as well as opportunities for London. London's economy has a competitive advantage in sectors such as financial and business services which should allow it to continue to flourish as a growing global economy creates increasing demand for these services. At the same time, competition in these sectors is likely to become more intense underlining the importance of ensuring that London continues to provide the infrastructure, enterprise and skilled workforce in order to maintain its position as a world city.

London's ability to remain a competitive world city in an increasingly competitive and globalised economy over the next 20 years will depend on its ability to continue to provide a home for internationally competitive firms in the financial and business sectors. In order to provide a competitive economic environment London will need to invest in its places (housing and workplaces), its infrastructure and its people.<sup>21</sup> The factors normally mentioned in international surveys of companies investing or considering investing in London are access to markets (UK and Europe), London's status as a global city, a highly-skilled workforce, proximity to clients and good international travel connections.<sup>22</sup>

Sectors such as financial and business services tend to be more dependent on human than physical capital. One of the key factors if London is to maintain its competitive advantage in these sectors will be the city's ability to attract and retain highly skilled workers, and to improve the human capital of its residents. The transport network is key not only to providing connections for commuters to their places of work, but also for connecting firms with their markets and suppliers. These issues are considered further in Chapter 4.

## 2 London & the UK

### Introduction

London's contribution to the performance of the UK economy rests on the distinctive role it plays. This is reflected in London's different economic structure from the rest of the UK. This creates many opportunities for mutually beneficial inter-regional trade. This section considers:

- the relationship between London and the surrounding regions of the South East and the East of England<sup>23</sup>.
- the diversity of London's population: London's diversity is a key factor making it an attractive place for people to live and work.
- the scope for better utilising London's labour, given the relatively high proportion of people of working age who are not in employment.
- the potential for London's growth continuing into the decades ahead, as substantial growth in jobs and population is expected between now and 2026.



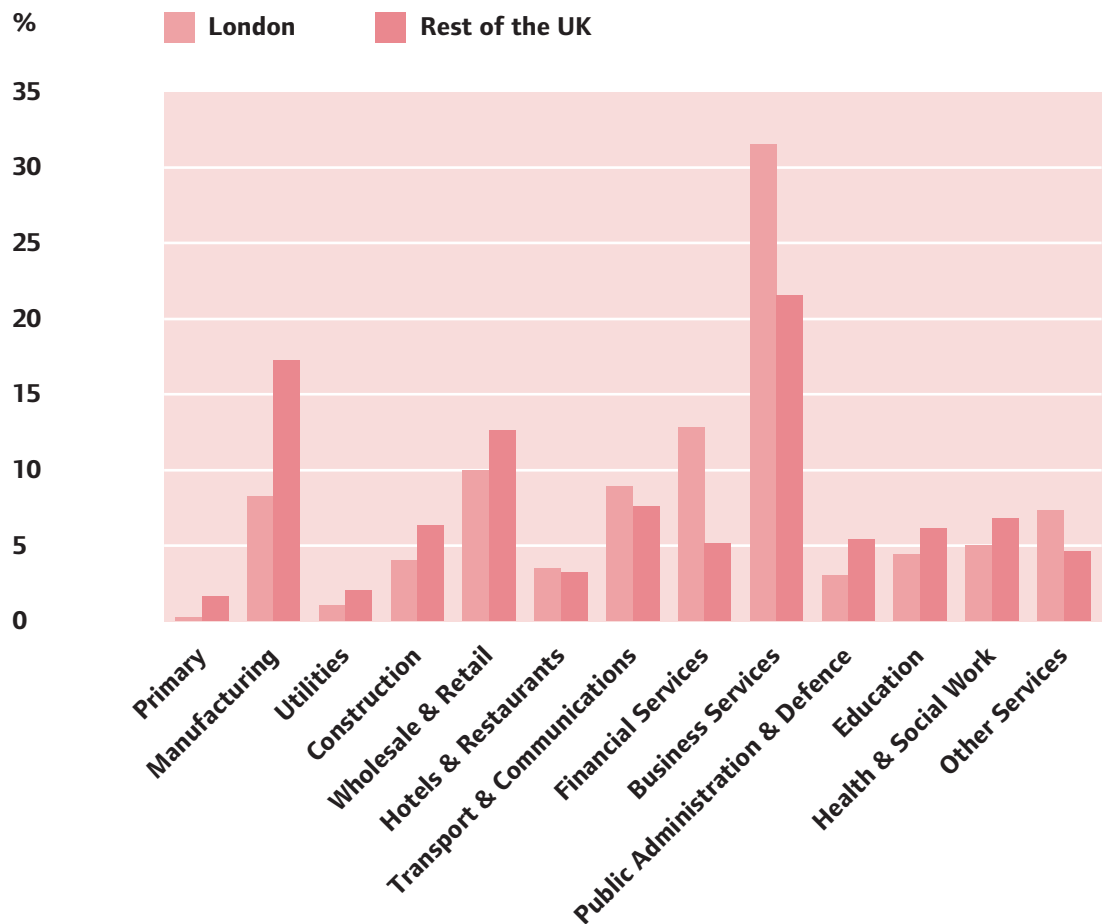
### Economic distinctiveness of London

The GLA Economics publication *Growing Together, London and the UK Economy* explores the distinctiveness of London. This shows (Figure 2.1) that:

- London's economic activity is much more focused on financial and business services.
- London has a much smaller manufacturing sector. In addition, the character of manufacturing in London is distinctive, with up to a third of manufacturing jobs in publishing and printing compared to one in ten outside London.<sup>24</sup> Also three-quarters of London's manufacturing jobs are in establishments where the main function is typically sales, administration, or service provision<sup>25</sup> – not manufacturing.
- The public sector accounts for a smaller share of economic activity in London than it does elsewhere. This is despite the presence of the Whitehall departments and Parliament in Westminster.

These broad sector comparisons may hide particular London specialisations. It is important to analyse the structure of the London economy in greater detail. Output data at a regional level are not available in sufficient detail to do this so employment data are used. The analysis in *Growing Together* took data for employees by sub-sectors from the 2002 Annual Business Inquiry and created an Index of Specialisation. The headline results from this are shown in Table 2.1. Where London is no different from the rest of Great Britain, the index equals one. If London has a greater concentration of employment than the rest of Great Britain, i.e. greater specialisation, then the index exceeds one. For those sub-sectors where London is under represented the index is below one.

Figure 2.1: Sectoral structure of London and the rest of the UK, 2002 (shares of total output by region)



Source: ONS



Table 2.1 shows the 38 sub-sectors, grouped into ten related areas, where the Index of Specialisation exceeds 1.3 and where there are at least 2,000 London located employees. These account for 1.8 million out of London's total of 3.9 million employees. Professional and business services is the largest broad area of specialist activity in London, accounting for nearly 700,000 London employees. Financial services is the second most important specialist activity, accounting for nearly 300,000 London employees.

London is also a centre of the creative industries (including media and publishing, parts of both professional and business services and ICT, and entertainment and recreation).<sup>26</sup> This amounts to 318,000 jobs – comparable to financial services. GLA Economics has previously calculated that London accounts for around 40 per cent of creative employment in the UK.<sup>27</sup>

London has a substantial specialisation in the leisure sector. This overlaps partly with the creative industries, and includes 227,000 employees. Previous research by GLA Economics<sup>28</sup> indicated that London accounts for a quarter of Britain's leisure economy and has particular areas of strength in entertainment (close to 45 per cent of the national total), gambling (nearly 40 per cent), dining (30 per cent) and visitor attractions (25 per cent). Altogether, accounting for the overlap between the two categories, the creative and leisure industries employ 490,000 people in London.

Other research has identified very similar activities as London's specialisations. All such studies<sup>29</sup> have emphasised London's strengths in services and its requirement for workers with high levels of human capital. One recent comprehensive study of London's economy and society found that London has competitive advantage in 'an extraordinarily diverse range of specialist activities'.<sup>30</sup>

Table 2.1 London's specialist strengths in 2002

Specialisation	London Employment	Index of Specialisation
<b>Professional &amp; Business Services</b>	<b>693098</b>	
Legal, accounting, research & consultancy	224805	2.41
Labour recruitment etc	152231	1.55
Miscellaneous business activities nec	99511	1.98
Industrial cleaning	84776	1.39
Architectural/engineering activities etc	59811	1.37
Investigation and security activities	38835	1.89
Advertising	33129	3.57
<b>Financial Services</b>	<b>291143</b>	
Monetary intermediation	149163	2.26
Activities auxiliary to financial intermediation	65654	7.52
Other financial intermediation	38943	3.05
Activities auxiliary to insurance / pension funding	37383	2.11
<b>Wholesale, Retail &amp; Catering</b>	<b>249852</b>	
Restaurants	128406	1.62
Wholesale of household goods	58993	1.54
Canteens and catering	57045	1.48
Retail: second-hand goods in stores	5408	1.71
<b>ICT</b>	<b>143332</b>	
Software consultancy and supply	61095	1.53
Telecommunications	52953	1.47
Other computer related activities	25608	1.82
Database activities	3676	2.97
<b>Transport</b>	<b>126972</b>	
Scheduled air transport	39569	6.52
Activities of travel agencies etc nec	32570	1.94
Other supporting transport activities	23060	1.81
Activities of other transport agencies	19037	1.92
Transport via railways	12736	1.95
<b>Media and Publishing</b>	<b>126885</b>	
Publishing	58095	3.43
Radio and television activities	39970	7.40
Motion picture and video activities	17820	4.31
News agency activities	8033	17.10
Reproduction of recorded media	2967	3.29
<b>Property</b>	<b>91972</b>	
Real estate activities	38545	1.80
Letting of own property	32156	1.63
Real estate activities with own property	21271	2.00
<b>Entertainment &amp; Recreation</b>	<b>80440</b>	
Arts and other entertainment activities	36908	3.24
Gambling & other recreational activities	25756	1.32
Library, archives, museums etc	17776	1.45
<b>Representative Organisations</b>	<b>17277</b>	
Activities of business & professional organisations	12511	4.26
Activities of trade unions	4766	2.53
<b>Manufacturing</b>	<b>2003</b>	
Manufacture of jewellery etc	2003	1.49

Source: Annual Business Inquiry

London's specialisation in these activities is beneficial not just to London but to the UK as a whole. Its specialist strengths produce intermediate products sold to other businesses rather than final consumers, and thus feeds into the production activities of other businesses. Therefore the performance of London's specialisations directly benefits UK corporate performance.

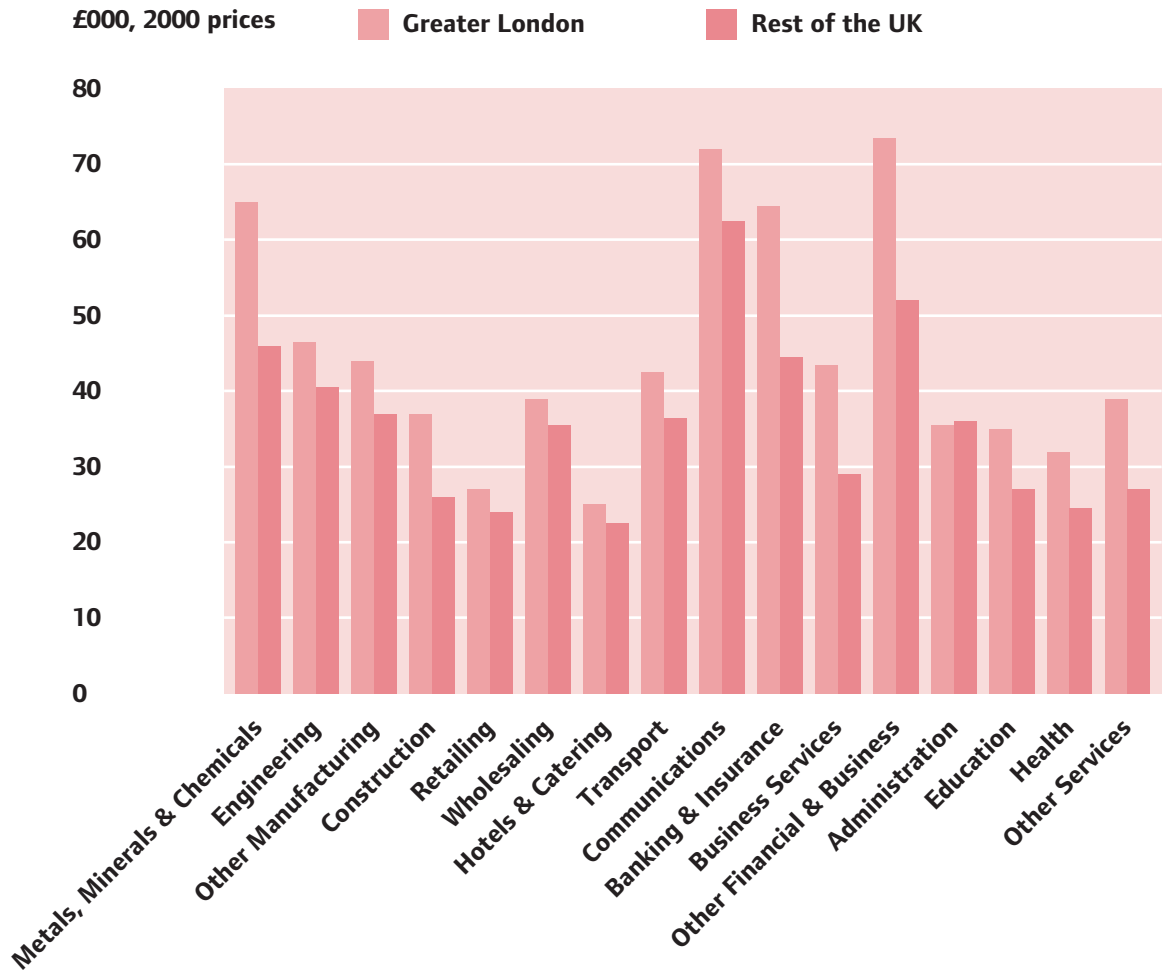
Many of London's specialisations are co-located in the same parts of London, usually central London – the Central Activity Zone. This is particularly true for financial and business services.<sup>31</sup> The City of London is the centre for financial services, but 36 per cent of employment in the City of London is in related business services such as accountancy and law. Areas neighbouring the City of London also have co-locations of financial and business services. There are other examples of co-location of related activities, for example with the creative industries in West London, which has a concentration of the media and music industries.

The co-location of companies in the same or other related sectors allows them to take advantage of what economists have termed agglomeration economies. These lead to increasing returns to scale in the production of goods and services, so that they can be produced at lower unit costs, or increasing quality with higher levels of output. The sources of agglomeration economies generally include:

- the availability of specialised input services (e.g. in London corporate legal services supporting the financial services industry).
- the formation of highly specialised labour forces, as a concentration of many firms demanding similar skills makes high degrees of occupational specialisation a viable and rewarding career option (e.g. fund managers in City of London firms).
- spillovers of knowledge between firms often via face-to-face contacts (e.g. seminars, or probably more importantly lunch or drinks in a local restaurant or pub).
- firms within a particular industry will be more productive where they have to face competition from other businesses located close by.

The existence of agglomeration economies is one reason behind London's stronger productivity performance relative to the rest of the UK (see Figure 2.2). Most notably, productivity in the financial and business services sector as a whole is more than 40 per cent higher in London than in the rest of the UK. Previous research for the Department of Trade and Industry (DTI)<sup>32</sup> has noted that London's financial and business services are a highly integrated set of activities suggestive of the importance of agglomeration economies and clustering.

Figure 2.2: Productivity by sector 2003



Source: Experian Business Strategies

The integrated nature of the London clusters identified by the DTI research,<sup>33</sup> which closely mirror the sectoral specialisations noted in Table 2.1, is also an important driver of the performance of these sectors. The research for the DTI maintains that:

*'In the UK context, its [London's] range of internationally competitive industries and strong clusters is unique. It can be argued that its economic strength arises from the diversity of its clusters combined with the extent of mutually re-inforcing interdependencies between them.'*

The analysis in this chapter has identified London's specialisations in a wide range of financial and business services: ICT; creative industries such as media and publishing; and leisure activities. Past research has reached very similar conclusions as to the areas of London's economic strengths. The bulk of London's business specialisations sell their products and services to other businesses. The performance of London's specialised, corporate-focused sectors is widely regarded as strong: they enjoy high levels of productivity and are recognised as being internationally competitive. The co-location of many companies engaged in London's specialisations allows them to benefit from agglomeration economies. UK corporate and other customers are able to tap into and acquire benefits from London's diverse range of specialisations via trade as London sells its expertise to customers in other parts of the UK. London's specialist strengths are clearly of benefit not just to the capital but to the UK economy more generally. As a new report on the economic potential of London and the core cities<sup>34</sup> concludes:

*'London's success on the world stage ought to be a factor strengthening the competitive position of the Core Cities compared with provincial cities (and many capital cities) in other European nations. Proximity to London – cultural as well as geographical – means that it is likely to be easier, for example, for a business headquartered in one of the English Core Cities to access the world's best advertising or corporate finance expertise than it is for a firm located in almost anywhere else in Europe.'*

### Estimating London's regional trade linkages

There are no published data on trade in goods and services between regions in the UK. However it is possible to produce estimates, and here we report on two such recent attempts by Experian Business Strategies (EBS) and Oxford Economic Forecasting (OEF).<sup>35</sup>

The EBS and OEF estimates of the pattern of trade between London and the rest of the UK are similar, and reflect the London specialisations discussed earlier. This is clearly illustrated in Table 2.2, which ranks the sectors by the magnitude of the London trade balance. London's strong specialisation in finance and business services comes through both in terms of the sizeable London trade surplus in this sector and its number one ranking. Other areas of service sector activity follow on both the EBS and the OEF rankings. Unsurprisingly, given its relative absence in London, manufacturing shows up as the sector with the largest negative regional trade balance.

Table 2.2: Trade balance (goods and services) London and the rest of the UK, 2003

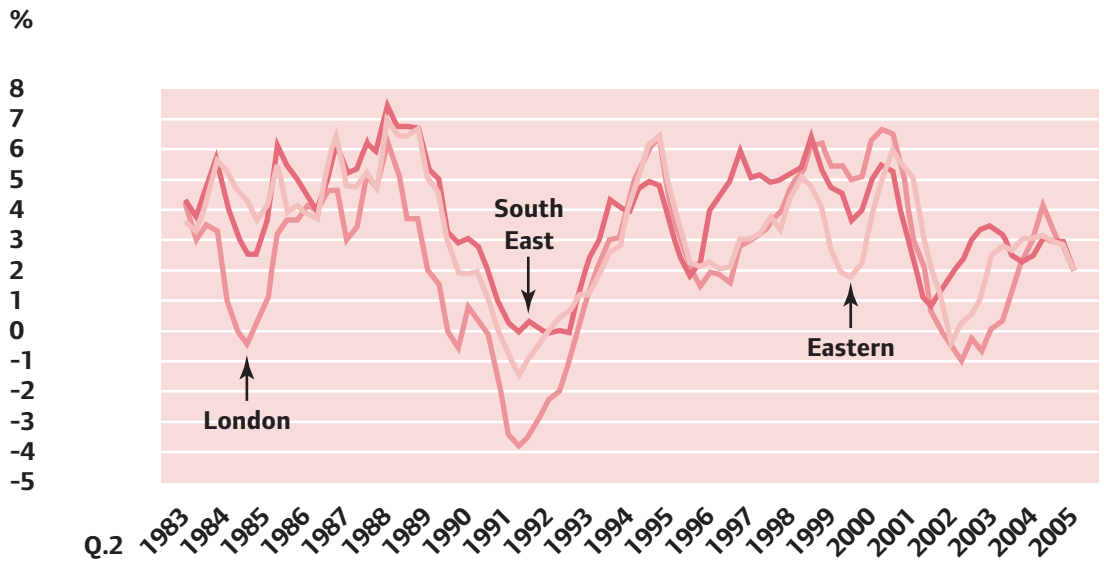
Sector (£ billion)	EBS	Rank	OEF	Rank
Agriculture	-1.9	4	-2.8	7
Mining and quarrying	-2.5	6	-2.0	6
Manufacturing	-14.9	9	-25.7	9
Electricity, gas and water supply	-4.3	7	-1.1	5
Construction	-6.8	8	-3.6	8
Wholesale and retail trade	-2.4	5	8.3	4
Transport & communications	-0.3	3	7.9	3
Financial & business services	23.1	1	23.6	1
Other services	-0.2	2	12.0	2
<b>Total</b>	<b>-10.3</b>		<b>16.6</b>	

Source: EBS and OEF estimates

### London and the Wider South East

There is a particularly strong positive relationship between London and the surrounding regions of the South East and East of England. Indeed, the close link between output growth in each of the three regions over the past two decades can be seen in Figure 2.3.

Figure 2.3 Real GVA growth in London, South East and Eastern Regions



Source: Experian Business Strategies, and GLA Economics

The relationship has been particularly strong during the 1990s, with each of the regions witnessing rising population growth and even faster growth in employment. In London, the working age population rose by 550,000 between 1992 and 2003 and employment increased by 680,000. The South East region, meanwhile, witnessed a rise in the population of working age over the same period of 285,000 and an increase in workplace employment of 600,000, while the East of England region increased its population of working age by 185,000 and employment by 350,000.<sup>36</sup>

As a result of this strong employment growth, both the South East and East of England now have unemployment rates of just 3.8 per cent<sup>37</sup> and are facing similar demands to London in terms of the need to provide additional housing to meet expected employment and population growth in London and the Wider South East over the next two decades.

In the South East region, current plans are for the building of 28,900 new homes per annum between 2006 and 2026, a total of 578,000 additional dwellings. The East of England region, meanwhile, is planning to build 23,900 new homes per annum to 2021, a total of 478,000 additional dwellings. This planning for growth across the Wider South East again reinforces the view that growth in London complements and aids growth in the neighbouring regions.

### **Migration from London benefits the Wider South East**

The links between London and the Wider South East are particularly strong in terms of migration and commuting. Data on migration show that London has a net inflow of young people from the rest of the UK, but that this net inflow reverses as people reach their late 20s. This is consistent with the notion that London is an 'escalator' region for skilled young people: they come to London for career advancement before stepping off the escalator by migrating to other parts of the UK, taking with them their skills and acquired knowledge.

The majority (63 per cent) of out-migrants from London to other UK regions migrate to live in either the South East region or the East of England region. These regions are therefore particularly strong beneficiaries of this escalator process, benefiting from an influx of highly qualified migrants from London who help to boost the overall skills base of these regions. As the draft South East Plan states, 'In-migrants are significantly better qualified than the South East's indigenous labour force and are a key driver of the economic prosperity of the region.'<sup>38</sup> Many migrants out of London to the two neighbouring regions commute back into London for work. One reason why many people migrate is the greater availability and affordability of housing, especially larger houses, outside London. An increased supply of housing in London (see Chapter 4) would therefore be expected to reduce commuting flows into London.

### Commuting flows increasing both into and out of London

Commuting is another area where there is strong interaction between London and the South East and East of England regions. According to the 2001 census, around 723,000 people commute into London from other UK regions, with 91 per cent of these commuters resident in the South East or East of England. However, the relationship is not simply one-way, as the past decade has seen a sharp rise in the number of out-commuters from London, particularly from the South and West of London. Indeed, growth in out-commuters from London between 1991 and 2001 exceeded the growth in in-commuters such that net commuting into London declined by seven per cent to 487,000. This reduction in net commuting into London is consistent with the fact that employment in the South East and East of England regions has been growing at a faster rate than their populations over the past decade.

Around one in ten employed residents in both the South East and East of England work in London and spend part of their earnings from London in their region of residence. Commuters from outside London fill just under one in five of London's jobs. We have previously estimated that in 2003 commuters into London contributed between £28 and £33 billion of output to London's economy. As 91 per cent of commuters into London come from either the South East or East of England regions, this suggests that commuters from these two regions contribute perhaps £25 to 30 billion of output to London's economy.<sup>39</sup> Out commuters from London to these two regions were estimated to be responsible for £9 to 11 billion of output in these regions' economies in 2003.

Geographically, both the South East and East of England have an east-west split in terms of their economies and their links to London. In the South East, there are more employee jobs than resident workers in Berkshire and Oxfordshire, a factor underlying the increased out-commuting from the South West and West of London. However, to the east of the region, in Kent and East Sussex, the ratio of jobs to working residents is the lowest in the region at 0.89-0.90.<sup>40</sup> Residents of these counties are therefore more strongly reliant on commuting to London for job opportunities. Similarly, in the East of England, Cambridgeshire has more jobs than working residents, but Essex has a low jobs to working residents ratio (0.85) and is therefore heavily reliant on London to provide employment for many of its residents.



Looking ahead, net commuting levels into London will be influenced by changes in the relative share of workers to jobs across the regions. If the South East and East of England continue to increase employment levels at a faster rate than their working population, then net commuting into London will continue to decline. (Although this does not mean the absolute numbers of commuters will decline – simply that the increase in London's out-commuting will exceed the increase in in-commuting). However, according to analysis by Cambridge Econometrics,<sup>41</sup> while the South East of England is indeed expected to increase its employment levels relative to population to 2016, the East of England is not. Therefore, London may see increased in-commuting from the East of England but increased out-commuting to the South East (particularly to the West of London) by 2016.

### London's environmental effectiveness

Londoners are already environmentally effective on a number of indicators. The high concentrations of people and economic activity in London enable higher environmental efficiency, whether in resource use per head of population or per unit of output (GVA). For example, higher usage of public transport in London leads to lower per capita and per output emissions from transport than in other English regions:

Table 2.3 Total road transport CO<sub>2</sub> emissions per GVA and per capita (2003)

Region	Total road transport and London Underground		
	CO <sub>2</sub> emissions	Tonnes CO <sub>2</sub> /£1 million GVA	Tonnes CO <sub>2</sub> /capita
East	12,374,481	129.8	2.3
East Midlands	9,296,072	150.7	2.2
<b>London</b>	<b>7,839,216</b>	<b>50.6</b>	<b>1.1</b>
North East	4,457,187	137.8	1.8
North West	10,844,679	111.1	1.6
South East	19,126,932	128.6	2.4
South West	10,507,650	139.8	2.1
West Midland	11,013,175	142.4	2.1
Yorkshire & Humber	9,455,128	132.7	1.9

Source: GLA Economics and ONS

The GLA Economics report *Environmental Effectiveness of London* looked at a range of indicators comparing the relative environmental performance of London with the rest of England. The key findings, in addition to those shown in the table above, are:

- In 2002, household electricity consumption in London was 0.09 GWh (Gigawatt hour) per £1 million of GVA. The average in all other regions was 0.13 GWh per £1 million of GVA.<sup>42</sup>
- In 2002/03, household waste production in London was 0.46 tonnes per capita, while the average for all other regions was 0.53 tonnes per capita.
- For the period 2000/01 to 2002/03, London had the second highest level of total water consumption. However, water consumption per £1 of output was lowest in London at 2.9 litres per pound (£) of GVA in 2002/03, while the regional average (excluding London) was 3.6 litres per pound (£).
- In 2002, commercial and industrial CO<sub>2</sub> emissions in London were 53 kilotonnes per £1 billion of GVA. The average in all other regions excluding London was 193 kilotonnes.
- Commercial and industrial gas sales in London were 238 GWh per £1 billion of GVA in 2002. In all other regions excluding London the average was 557 GWh.

London's environmental effectiveness means that investing in infrastructure and other supporting services in London to underpin its continued economic vibrancy should generate environmental benefits. If such investments are not made, and some part of London's population and economic activity relocates to other parts of the UK with more dispersed patterns of development, the environmental impact would be detrimental.

### **London's diversity**

London is one of the most ethnically diverse and multicultural cities in the world, with more than 300 languages spoken, many different nationalities and many faiths – or none – practised. London is home to nearly half of Britain's minority ethnic population, with many long-established communities such as the Turkish, Greek and Jewish communities. The unique diversity of London is one of the city's great strengths.

London's population is diverse in many different ways.<sup>43</sup>

- London has a high proportion of people from non-Christian religions. Approximately 8.5 per cent are Muslim, 4.1 per cent Hindu, two per cent Jewish and one per cent Sikh.
- In 2004 London contained 776,000 disabled people of working age – 16 per cent of this population.<sup>44</sup>
- London has the largest lesbian, gay, bisexual and transgender population in the country, which is estimated to make up ten per cent of its population.
- London has a smaller proportion of older people than elsewhere in the country. In 2001, 16 per cent of London's population was aged over 60 compared to almost 23 per cent of the UK's population. London experiences large outflows of people at retirement age.
- London has a higher proportion of young people than the country as a whole. People aged 20-24 years make up eight per cent of London's population compared with less than six per cent for the UK.

Forty six per cent of all black and minority ethnic individuals in the UK live in London, accounting for 29 per cent of London's population. Over the next 15 years, significant growth in these groups is projected. International in- and out-migration has been high and is projected to remain so. New arrivals moving to London from overseas will contribute further to London's diversity. It is estimated that by 2016, 80 per cent of the population increase will be from black and minority ethnic communities, and it is expected that this trend will continue in future years. Together, these changes in the ethnic composition and age structure of the population will have a major impact on the working-age population in the capital by 2016.<sup>45</sup>

The diversity of London's population offers opportunities for London's economic development:

- the ability to attract and retain talent from across the world.
- an international cultural offering, for example in cuisine, arts, entertainment which enriches quality of life.
- cultural diversity enhancing business creativity and innovation.
- international trade and investment from overseas which strengthens London's link with rapidly growing economies in Asia.

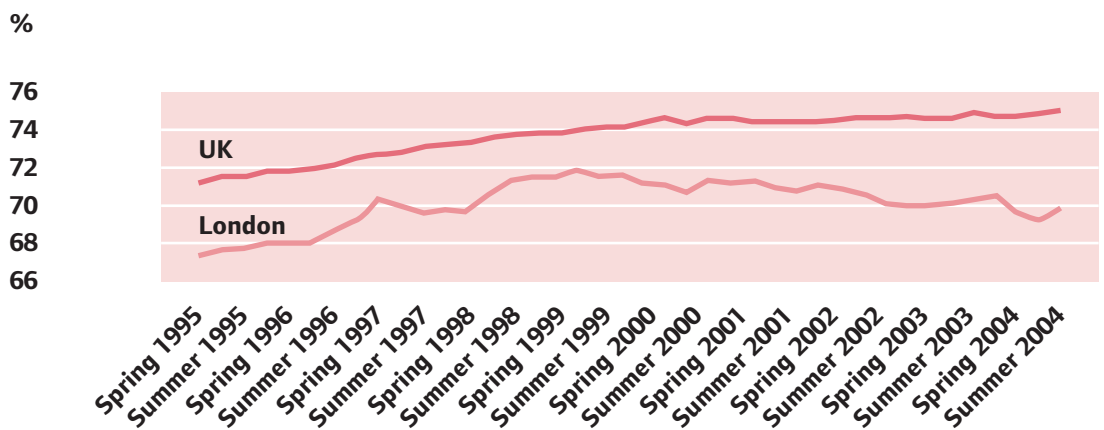
Within London's diverse population there are often inequalities. It is important to ensure London's diverse groups can fully deploy their talents to the success of the city's economy. The city is well placed culturally to embrace this wide variety of ethnicities and faiths, but combating inequality and discrimination remains vital. Some of the issues and challenges facing particular groups within London are dealt with in more detail in Chapter 4.

**London labour: An underutilised resource**

London has a relatively high level of worklessness. In winter 2004/05 the working age employment rate of people living in London was 69.9 per cent compared to 75 per cent in the UK as a whole. Hence the proportion of people of working age who are workless in London is around 30 per cent compared to 25 per cent nationally. In addition as Figure 2.4 indicates, the working age employment rate has fallen in London since 1999, while at a national level it has continued to increase. This lower employment rate in London represents a potential unused resource for London’s economy, providing London with the potential to grow more quickly without running into constraints such as excessive wage inflation.

Women in London, and more particularly women with children, including but not exclusively lone parents, have lower employment rates than women outside London. People with low or no qualifications also have lower employment rates in London than outside. People of black and minority ethnic origins also tend to have low employment rates in London. The ethnic diversity of London makes this a much greater economic and social issue in London than elsewhere.

Figure 2.4 Working age employment rates: UK and London



Source: Labour Force Survey

**Women in the London economy<sup>46</sup>**

Data from the annual Labour Force Survey for 2002/03 show that the employment rate of women resident in London was just 59 per cent compared to 69 per cent in the UK as a whole. This difference reflects the position of women with children. The employment rates of women without dependent children were very similar in London and the UK generally at 71 and 72 per cent respectively. In contrast the employment rate for women with dependent children in London was 12 percentage points below the UK average at 53 per cent compared to 65 per cent. Within London this difference is particularly evident in inner London, where only 43 per cent of women with dependent children are in employment.

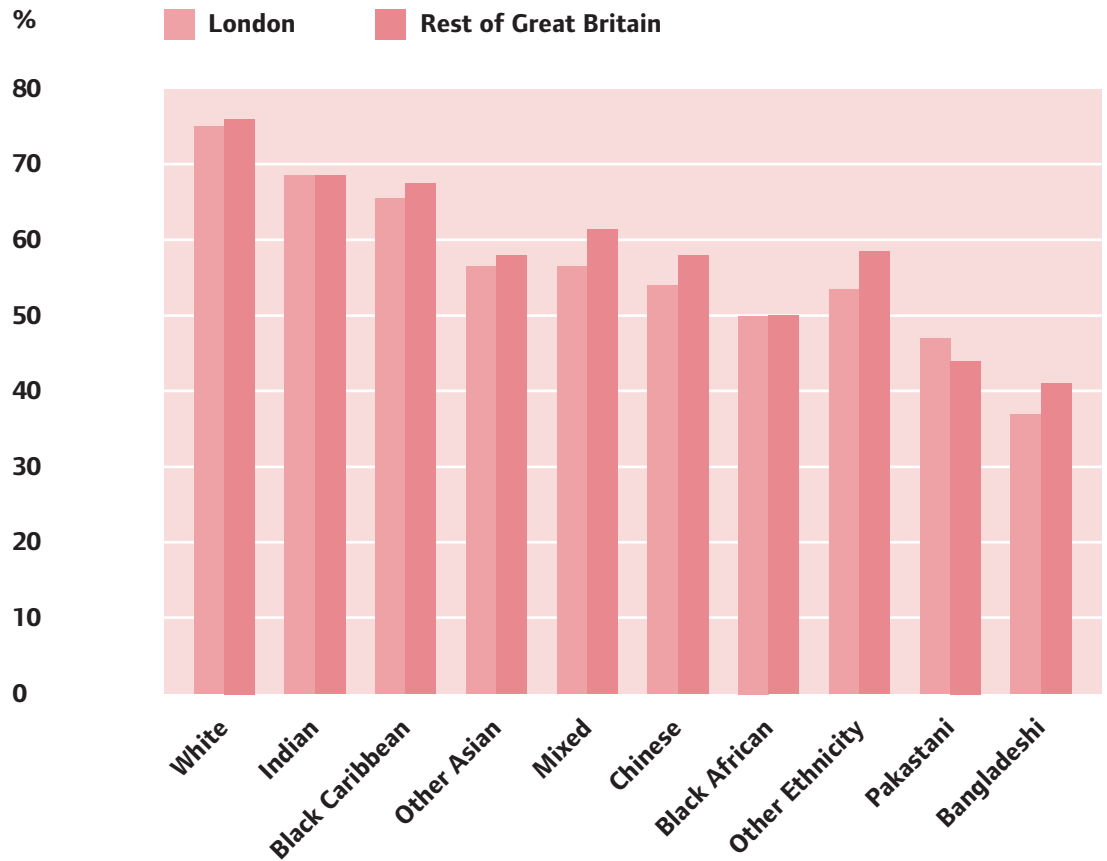
One important factor behind these lower employment rates for women with children living in London is the lack of part-time employment opportunities that would allow women to combine paid work with child care responsibilities. In London only 26 per cent of women with dependent children work part-time compared to 38 per cent in the UK overall. This reflects a comparative scarcity of part-time jobs in London. In London only 25 per cent of employee jobs are part-time compared to 32 per cent in Great Britain as a whole.

Women's talents are under-utilised even when they are employed. This is reflected in the gender pay gap. In London in 2002/03 the gender pay gap between the average pay of men and women was 16 per cent. Our previous research<sup>47</sup> indicated that between nine and 12 percentage points of this gap is accounted for by differences in individual and job characteristics between men and women such as differences in qualifications held, age and occupation worked in. The remainder of the gap, between four and seven percentage points, appears to be the result of direct unequal treatment of women. This estimate can be used as a broad indicator of the impact of discrimination and under use of women's talents on their pay levels.<sup>48</sup>

### **Ethnic minorities**

Figure 2.5 shows the employment rates of people of different ethnic origins in London and the rest of Great Britain. It is clear that the employment rates of all black and minority ethnic groups are lower than those for whites both in and outside London. Secondly, there is a great diversity of labour market experience across different ethnic minority groups, with some groups notably Pakistanis and Bangladeshis having very low employment rates. Finally, while the employment rate of whites is very similar inside and outside London this is not true for ethnic minority groups. For most minority groups their labour market experience in London is worse than it is outside London. If people of minority ethnic origins in London had the same employment rates as their counterparts outside London then an extra 32,000 people would be in work, representing an increase of 4 per cent in the overall level of ethnic minority in employment in London – a rather modest gain. However such a calculation makes no assumptions about closing the gap between the employment rate of people of minority ethnic origins and their white counterparts in London. If all ethnic minority groups in London had the same employment rate as whites in London then an extra 254,000 people would be in work, an increase of 32 per cent in the overall level of ethnic minority employment in London. While these calculations are clearly illustrative they do indicate the very large potential gains available from improving the employment prospects of ethnic minority individuals in London.

Figure 2.5 Employment rates by ethnicity in London and the rest of Great Britain



Source: Annual Labour Force Survey 2002-03

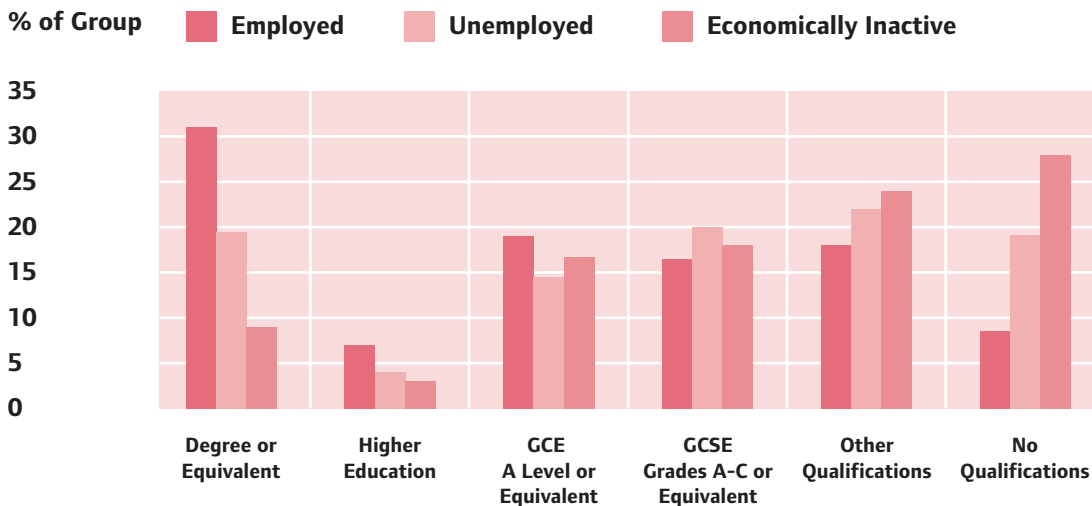
The above discussion suggests that the potential workforce is being underused in London relative to other parts of the UK. If so, then there appears to be greater scope to expand production in London, and bring back workless individuals into employment, than there is in other parts of UK. However, before we can conclude that this is indeed the case we need to allow for the composition of the workless in London and outside, as the extent to which the workless represent an underused economic resource depends on their capacity to offer the skills and attributes that businesses in London require.

Two factors are generally believed to be key determinants of an individual's probability of (re)-entering work: skills and the time the individual has spent out of work. The more qualifications and greater skills an individual has, the greater the range of jobs open to them; the employment rates of people with high levels of qualifications are much higher than for people with low or no qualifications. In addition, past research has demonstrated that London's economy is particularly skewed towards employees with high level qualifications or skills.<sup>49</sup>

### Low skills

Figure 2.6 shows the highest qualification level for people of different economic status in London. The chart shows that around 31 per cent of employed persons in London are educated to degree or equivalent level. In contrast 19 per cent of the unemployed<sup>50</sup> in London are qualified to degree or equivalent level and more strikingly only nine per cent of the economically inactive<sup>51</sup> are qualified to degree or equivalent level. At the other end of the qualification spectrum, 28 per cent of the economically inactive have no qualifications compared to 19 per cent for the unemployed and just eight per cent for the employed.

Figure 2.6 Qualifications by economic status

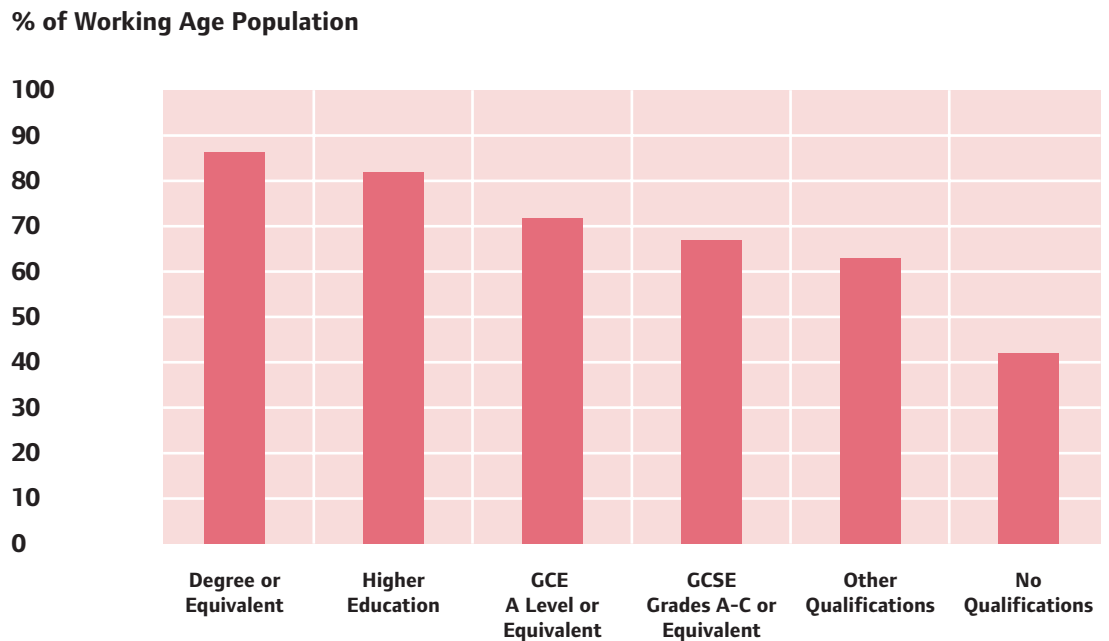


Source: Labour Force Survey

The qualification profile of the unemployed is closer to the profile of the employed than the economically inactive, which suggests that the unemployed are more likely to be effective at securing jobs in London's labour market than the economically inactive.

There are around a-quarter-of-a-million unemployed people in London. In contrast, just under 1.2 million people are classified as economically inactive,<sup>52</sup> over three-quarters of London's workless people. However, it is likely that the 19 per cent of the unemployed and the 28 per cent of the inactive with no qualifications will find it particularly difficult to effectively compete for jobs in London's labour market. Figure 2.7 shows that 87 per cent of people qualified to degree or equivalent level are in employment compared to just 42 per cent for people with no qualifications.

Figure 2.7 Employment rates by qualification



Source: Labour Force Survey

### Duration

People who have spent longer out of work have a lower probability of obtaining employment. Much past research has focused on whether this simply reflects the fact that individuals with relatively poor skills, and/or other characteristics that act to reduce their chances of obtaining work, tend to be workless for longer than individuals with more favourable labour market characteristics; or whether a longer period spent out of work has an independent ‘scarring’ effect over and above that. In general, evidence has been found that the duration of time spent out of work does indeed have an independent scarring effect on individuals’ chances of obtaining work.<sup>53</sup>

Figure 2.8 shows the percentage of the workless – both unemployed and economically inactive – who have been either out of work for more than two years or who have never had a job in the UK. London has a relatively low percentage of workless who have not worked for more than two years, but stands out, with Northern Ireland, as one of the two regions with much higher percentages of the workless who have never had a job.<sup>54</sup> Overall, around 80 per cent of London’s workless have either never worked or have been out of work for more than two years. This figure is only matched by Merseyside and exceeded only in Northern Ireland. In addition, the skills of London’s workless are on average much lower than for the capital’s employed. Both these factors would be expected to reduce the London workless’s chances of competing effectively for jobs in the London labour market.



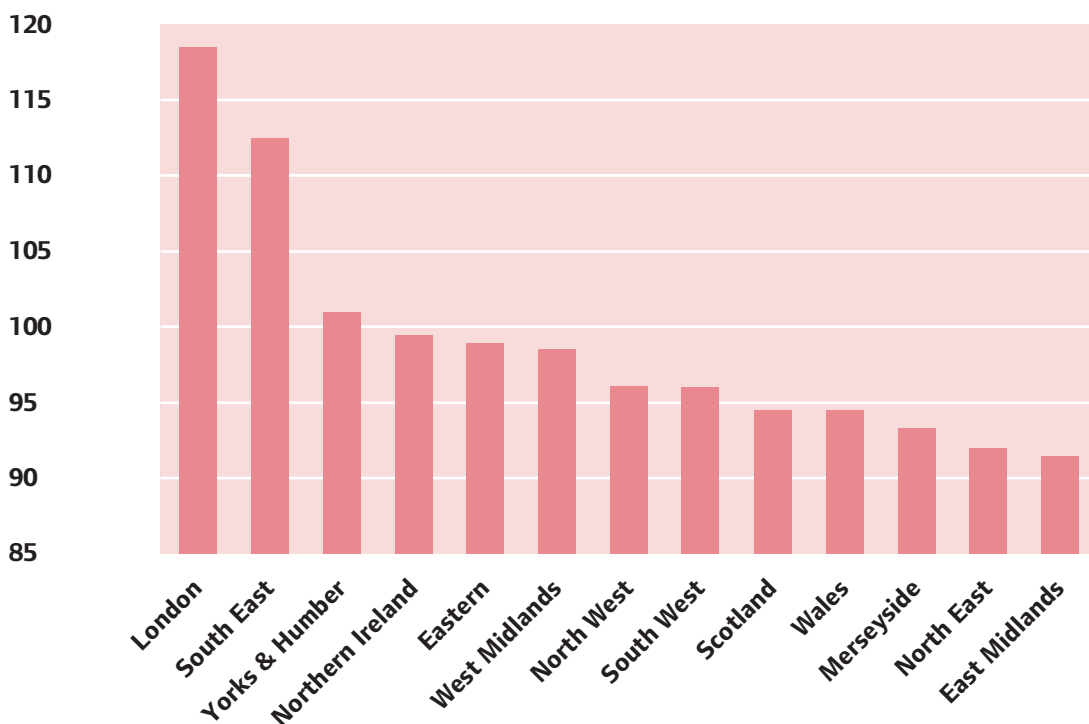
Figure 2.8 Duration of worklessness by region



Source: Labour Force Survey

Figure 2.9 Relative labour market slack  
Spring quarter average 2001-05, UK = 100

% (UK = 100) Spring Quarter, average 2001-2005



Source: Labour Force Survey

Figure 2.9 reports a measure of labour market slack that allows for both the extent of worklessness in a region/country of the UK and the rate at which workless people in these regions move into work. London has the highest labour market slack of any UK region/country.

It is clear that labour, that is people, are under utilised in London. To make fuller use of the talents and skills of London's populace requires economic growth that in part depends on both an availability of business space – offices, retailing, warehouses etc and investment in improved transparent infrastructure to carry these additional workers to work. The latter issue of transport infrastructure is discussed in more detail in Chapter 4.

Looking forward to 2026, we do not see a shortage of business space as a factor that is likely to constrain fuller use of the skills and talents of all Londoners. *The London Plan* is particularly concerned not to constrain future economic growth. Hence it makes generous provision to meet the future needs of different types of business. It identifies sufficient capacity to accommodate up to 8.1 million square metres of office floorspace between 2001 and 2016. Future requirements through to 2026 are currently being quantified through the London Office Policy Review 2006.

*The London Plan* has also taken a generous approach to provision of retail space. Its associated Sub Regional Development frameworks (SRDFs)<sup>55</sup> are currently identifying capacity to accommodate the projected net need for 1-1.5 million square metres more floorspace for comparison goods, assuming that all of the pipeline of major retail proposals is built. The frameworks also seek capacity for 120,000-320,000 square metres of convenience goods floorspace, before taking account of proposed developments.

The industrial sector as a whole is expected to decline. Consequently, a great deal of surplus industrial land has already been released to other uses and it is expected that more can be released while maintaining sufficient capacity to support the future needs of the industrial sector.

This analysis demonstrates that with appropriate supporting policies and investment the level of employment in London could be significantly higher. If London's employment rate were to attain that of the UK as a whole, then an extra 274,000 Londoners would be in work. Reducing the under-utilisation of Londoners' skills and talents by moving people into productive economic activities would also significantly boost output growth in London's economy and so in the UK as a whole. Since the level of productivity in London is higher than in the rest of the UK across practically all sectors of the economy, this prospective increase in London employment would also raise the level of UK productivity and help close the productivity gap between the UK and other leading OECD economies. In addition, increasing London employment would inevitably involve improving the labour market prospects of certain disadvantaged groups, such as people of minority ethnic origins and lone parents, groups which are more heavily concentrated in London. This would also generate significant social as well as economic benefits. The UK government's major policy objectives have been spelt out in the form of the Public Service Agreements (PSAs) determined as part of its spending reviews. Box 2.1 indicates the major PSA targets from the 2004 Spending Review which an improvement in the utilisation of Londoners' skills and talents would help to advance significantly.

**Box 2.1: Public Service Agreement targets that could be further advanced by increasing labour utilisation in London**

Demonstrate by 2008 progress on the Government's long-term objective of raising the trend rate of growth over the economic cycle by at least meeting the Budget 2004 projection (target for HM Treasury)

Demonstrate further progress by 2008 on the Government's long term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the gap with our major industrial competitors (target for HM Treasury and the Department of Trade and Industry)

As part of the wider objective of full employment in every region, over the three years to spring 2008, and taking account of the economic cycle, demonstrate progress on increasing the employment rate (target for HM Treasury and the Department for Work and Pensions)

Make sustainable improvements in the economic performance of all English regions by 2008, and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006 (target for HM Treasury, the Office of the Deputy Prime Minister, and the Department of Trade and Industry)

As part of the wider objective of full employment in every region, over the three years to spring 2008, and taking account of the economic cycle:

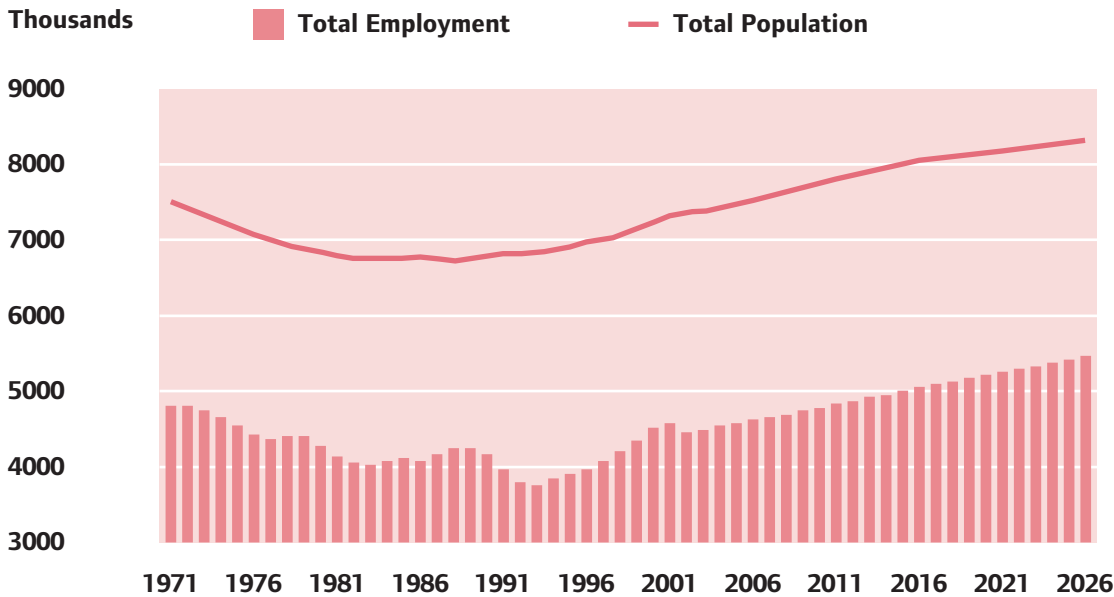
- increase the employment rates of disadvantaged groups (lone parents, ethnic minorities, people aged 50 and over, those with the lowest qualifications and those living in the local authority wards with the poorest initial labour market position); and
- significantly reduce the difference between the employment rates of the disadvantaged groups and the overall rate (target for the Department of Work and Pensions)

Halve the number of children in relative low-income households between 1998-99 and 2010-11, on the way to eradicating child poverty by 2020 (target for HM Treasury and the Department for Work and Pensions).

### London's future

With the right policies to remove the current under-utilisation of people and their talents, London could contribute even more than it is currently doing to the economic prosperity of the whole of the UK. This is not just a short term possibility. London is set to grow substantially in both population and employment terms between now and 2026. Figure 2.10 shows that London's population continued its post-World War Two decline through to the mid-1980s but since then it has grown – by 593,000 between 1988 and 2001 – and is projected to grow by an additional 1,018,000 between 2001 and 2026.<sup>56</sup> Similar trends are apparent for employment located in London. The start of an upward trend in employment from the mid-1980s was interrupted by the recession of the early 1990s, when employment in London fell by 488,000 between 1989 and 1993. However subsequently employment growth resumed, and increased by 769,000 between 1993 and 2000, caused by London enjoying a business cycle recovery as well as underlying growth trends. The GLA's latest projections suggest that employment in London is expected to grow by 970,000 between 2003 and 2026.

Figure 2.10 Employment and population in London 1971-2026

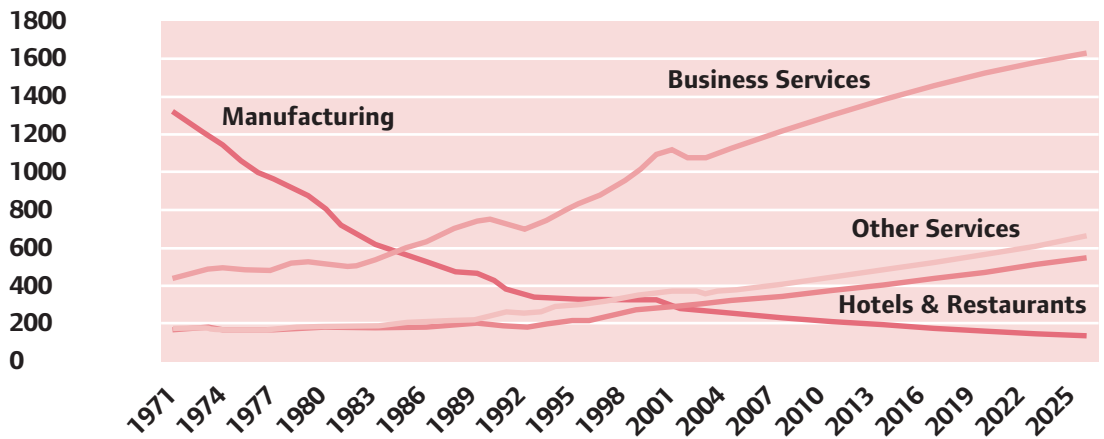


Source: The GLA's Data Management and Analysis Group (DMAG) and Volterra Consulting

Turning to different parts of the London economy, Figures 2.11 to 2.13 show changes in the level of employment in 12 broad sectors since 1971 and the projected changes through to 2026. Figure 2.11 demonstrates the dramatic decline of manufacturing and the rise of business services since 1971. In 1971, 1.3 million people were employed in manufacturing in London, and this accounted for more than a quarter of all jobs in London. By 2003, this had declined to just 267,000 and accounted for just six per cent of London's employment. On the basis of the latest GLA projections, employment in manufacturing in London will continue to decline, to 133,000 by 2026, and account for less than three per cent of all London's jobs. In contrast, employment in business services has grown dramatically since 1971. In 1971, 442,000 people were employed in London's business services sector; by 2003 this had more than doubled to 1,075,000 and it is projected to reach 1,629,000 by 2026. In 1971, business services accounted for just under one in ten of London's jobs; by 2003 this figure had risen to a just under a quarter, and in 2026 business services are projected to account for 30 per cent of jobs in London. These two trends by themselves represent a dramatic shift in the composition of the London economy. But in addition, Figure 2.11 shows that employment in both hotels and restaurants and other services (which includes a strong leisure services element) has grown substantially since 1971.

Figure 2.11 Employment in London: Selected sectors (1) Actual 1971-2002, Projection 2003-2026

Thousands (Actual 1971-2002, Projection 2003-2026)



Source: Volterra Consulting

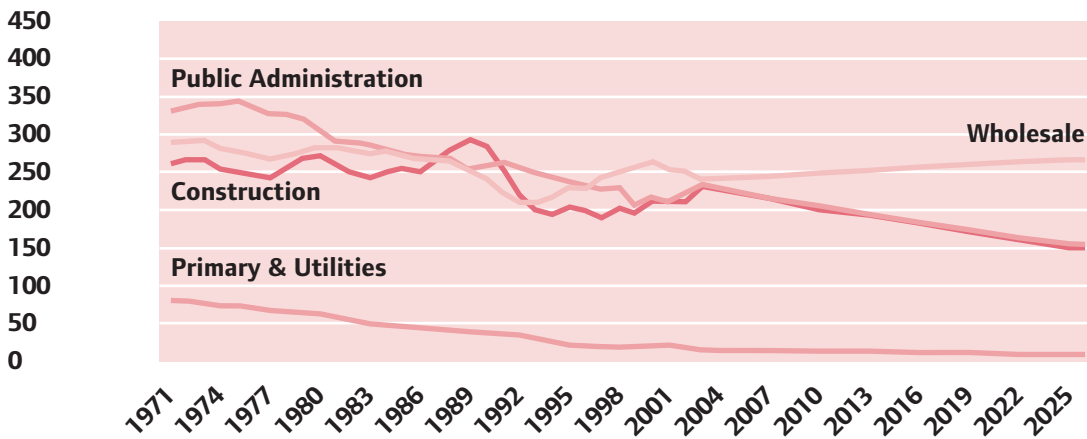
In 1971, the London hotels and restaurants sector employed 166,000 people; by 2003 this had risen to 309,000 and it is projected to exceed half a million by 2026. Employment in other services in London has seen even stronger growth, from 174,000 in 1971 to 361,000 in 2003, and is projected to nearly double between 2002 and 2026, reaching a level of 659,000 in 2026.

Figure 2.12 indicates that employment in London in the primary and utilities sector has fallen since 1971 and is projected to continue to fall. These activities have always had little presence in the London economy and since 1971 have never accounted for more than two per cent of London's total employment and since 1988 less than one per cent.

Employment in public administration in London generally fell between the mid-1970s and 1999. Between 1999 and 2003 it rose; however it seems unlikely that this is the beginning of a new trend. The current government's Gershon and Lyons (public sector relocation) reviews commit it to reducing such employment in London and the South East. Similar themes have been echoed by the Conservative Party in their own James Review. The latest GLA projections indicate declining employment in London in this sector.

Figure 2.12 Employment in London: Selected sectors (2) Actual 1971-2002, Projection 2003-2026

Thousands (Actual 1971-2002, Projection 2003-2026)



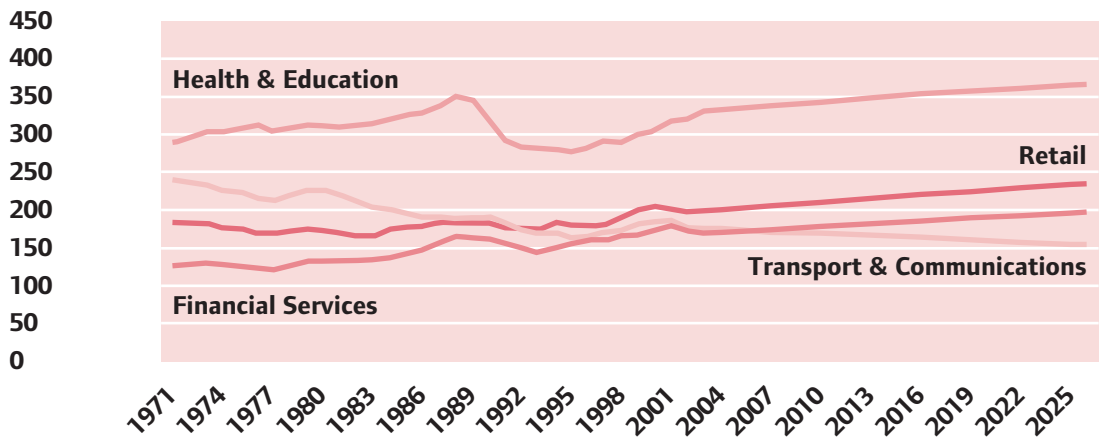
Source: Volterra Consulting

Employment trends in construction are very difficult to analyse on a geographical basis. This is because employees' recorded normal place of work is the establishment of the construction company they work for. If this is located outside London, then their employment will be recorded there even if they are working on a construction site in London. This helps to explain why construction employment in London grew by only a small amount in the decade to 2003 in spite of the many major London construction projects during that time. This was a period when London's economy grew by on average 3.2 per cent per annum, a relatively rapid rate of growth which is unlikely to be sustained into the future. The latest GLA Economics employment projections assume that the London economy grows by on average 2.5 per cent in line with most analysts' assessment of the UK economy's trend rate of economic growth.<sup>57</sup> Hence we project that construction employment officially located in London will fall between now and 2026.

Wholesale employment in London was on an upward trend in the 1990s following 20 years when employment generally fell. But the economic slowdown in London and the UK in the first few years of this century appears to have led to a cyclical decline in wholesale employment in London. Against this background we expect the trends of the 1990s to be partially re-established and so we project very modest growth in employment in this sector up to 2026.

Figure 2.13 Employment in London: Selected sectors (3) Actual 1971-2002, Projection 2003-2026

Thousands (Actual 1971-2002, Projection 2003-2026)



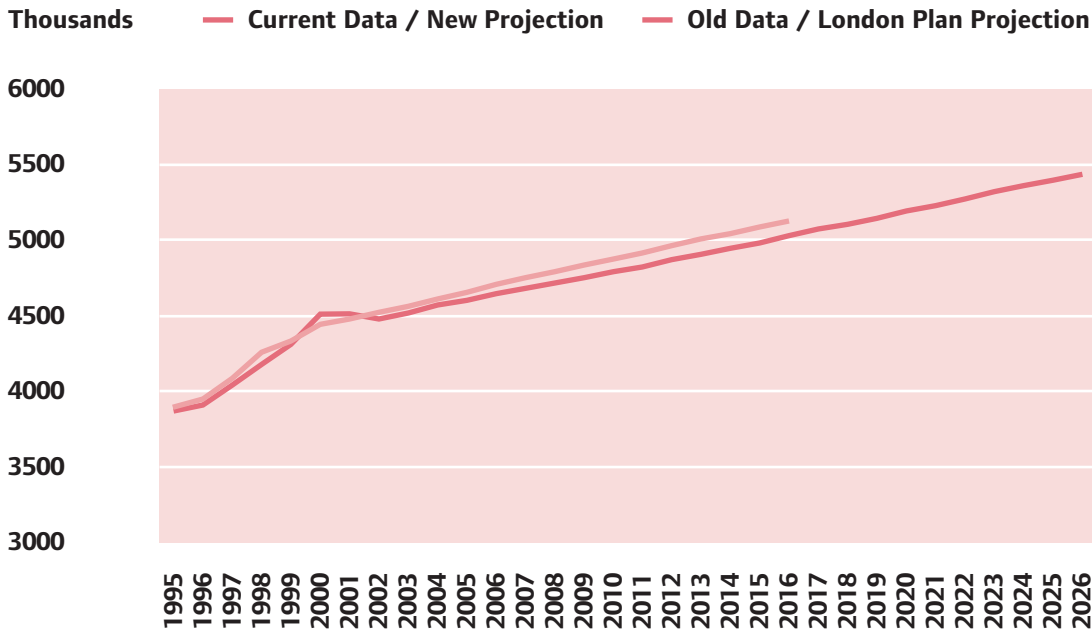
Source: Volterra Consulting

Employment in Health and Education in London has been growing strongly since the mid-1990s; this growth is projected to continue through until 2026, albeit at a slower rate. Employment in financial services in London has been on a generally upward trend over the last 30 years. This is expected to continue through until 2026. Employment in London’s retailing sector, while clearly influenced by the ups and downs of consumers’ expenditure with the business cycle, has been on an upward trend since the early 1980s. This is projected to continue, with growing employment in retailing up to 2026. Employment in London’s transport and communications sector has been on a generally downward trend over the last 30 years, and this decline is predicted to continue through to 2026.

The trends in these latest projections are not that different from those that underlay the *London Plan*. This is clear from Figure 2.14, which shows the latest projections for total employment in London to 2026 and the equivalent projections from the *London Plan* (which extended only to 2016). The total employment projected in the *London Plan* for 2016 is now expected to be achieved just three years later. In addition, the overall pattern of employment growth and decline across the London economy’s broad sectors presented here is very similar to that in the *London Plan*.



Figure 2.14 Latest and The London Plan projections for employment in London



Source: The London Plan and Volterra Consulting

### Conclusion

London accounted for 15 per cent of total UK employment in 2004, and for 18 per cent of UK output in 2003. Beyond these simple figures, London's contribution to the performance of the UK economy rests on the distinctive role it plays within the UK economy. This distinctiveness is reflected in a very different structure of its economy compared to that in the rest of the UK. In particular, London has a much larger concentration of financial and related professional business services, and smaller manufacturing and public sectors.

Similarly, a distinctive feature of London is the diversity of its population. Nearly a third of London's population of working age are of black or minority ethnic origins and more than a third of the capital's population of working age were born outside the UK. There is obviously considerable but only partial overlap between these two groupings, as 40 per cent of migrants are white and 44 per cent of London's ethnic minorities are second or third generation and born in the UK. London's diversity is a key factor making it an attractive place for people to live and work.

The last decade or so has witnessed a resurgence in London's economy, which grew by on average three per cent per annum between 1994 and 2004, compared to 2.7 per cent in the rest of the UK. However there is scope for further growth in London as it has a relatively high proportion of people of working age who are not in employment. Appropriate policies and public investment in infrastructure are required to facilitate the entry of these workless people into employment, which would benefit both social justice and economic efficiency, and advance many of the government's objectives on economic growth, productivity and employment.

Furthermore London has the potential to continue contributing to the economic success of the UK, as substantial employment and population growth is expected between now and 2026. Within the overall employment growth, substantial growth is expected in London's especially high-productivity finance and business services sectors. To turn this potential into reality requires planning for growth rather than seeking to constrain it, and ensuring that adequate public and other investment is undertaken to prevent bottlenecks in the London economy.

### 3 London's economic geography

#### All together: An integrated city economy

London is sometimes described as 'a city of villages'. While this does describe something important about London's incredible variety, and the strength and identity of many of its neighbourhoods, it risks missing the fact it is more than the sum of its parts. London functions successfully, and brings prosperity and other benefits to its people and to the country as a whole, because it brings together an agglomeration of many different kinds of places, people and activities. All of these interact and work together to make London the place it is; identifying these interactions and understanding the things that impede them is essential to planning for London's growth and sustained economic, environmental and social success.

Successful cities bring people and activities together. Some activities (such as globally-oriented finance) depend on their being concentrated within a small area for success, while others (such as retail or leisure services) can be, or need to be, more dispersed. Some activities locate in places to maximise their profitability, while other activities locate because they are guided by government policy as to where they need to be. Some activities have located somewhere recently while other activities may be located somewhere because of choices made decades ago. Some locations are determined by relationships with the urban core; others by relationships with neighbouring regions. The interactions of all choices such as these determine the economic geography of a city.

It can be helpful to consider several broad types of activity.

- *Activities concentrating in a small area.* Some activities in London, especially financial and professional services in the centre of London often serving international markets, benefit from 'agglomeration', requiring close linkages with similar businesses, access to markets, suppliers and a large pool of skilled employees.
- *Activities across the urban area.* Many activities also need to be within the urban area. Many parts of business services, creative, retailing and leisure activities also come together whether in London's centre or town centres or elsewhere across the city.
- *Activities needing space.* Many activities such as in transport, storage and wholesaling need space – but space with access to transport infrastructure and to their main markets in London.
- *Activities serving local people.* Many activities, such as shops for food and local services from hairdressers to local doctors, primarily serve local markets. They locate where people can conveniently reach them.
- *Activities moving away.* Many manufacturing activities that once occurred in London now happen elsewhere, often overseas. London benefits from importing these goods, although the decline in London's manufacturing employment has changed the character of many parts of London.



This diversity of activities, the factors affecting where they are based and the interaction with patterns of residence, means that nowhere in London is self-contained. No one place will meet all the needs of all activities; some places will have more of some than others, few will have all the activities a successful, sustainable community will need. It is misleading to think that the success of one place in London will necessarily be at the expense of another. Where it makes sense to look at different places within London and improve their economic performance, this is not with the unrealistic aim of them becoming separate independent economies, but so that they make the contribution needed by the whole urban area and the people living and working there.

### **Spatial strategy: Economic geography and The London Plan**

London's economic geography does not respect electoral or administrative boundaries. Looking solely at London in terms of thirty-three boroughs, five learning and skills councils or even inner or outer London fails to reflect London's complexity and interdependence, whether in the economic, social, transport or environmental fields. For all of these, it is necessary to look at more meaningful geographical scales and frameworks, which allow linkages and flows to be measured, described and understood.

### *Measuring London's economic geography*

Making sense of London's economic geography requires measuring economic performance in a way that is practical, relevant and consistent over time. This can make looking at areas smaller than London as a whole tricky. Most measures such as output, productivity and trade flows become impractical for small areas. One yardstick that can be used effectively is employment data for local areas, using the Annual Business Inquiry. This counts employee jobs each year by economic sectors, down to ward level. However, sampling and statistical errors can distort results at this local level, the size and shape of wards can change over time, and the classifications of economic sectors are also revised over time.

Nevertheless, it is possible to use this data source to tell a story of London's changing economic geography. For the period 1995 to 2002, there is a useful time series of data with both consistent ward boundaries and industrial sectors.<sup>60</sup> Although it would be ideal to have this over the full economic cycle, this is a seven year period which includes much of London's recent jobs growth (over 1995 to 2000) and a brief period of London job losses (in 2001 and 2002).

### *Describing London's economic geography*

Earlier work by GLA Economics *Spreading Success: How London is Changing*<sup>61</sup> looked at spatial changes in employment across the capital. *The London Plan: Spatial Development Strategy for Greater London*<sup>62</sup> developed the overall spatial strategy and policies for London.

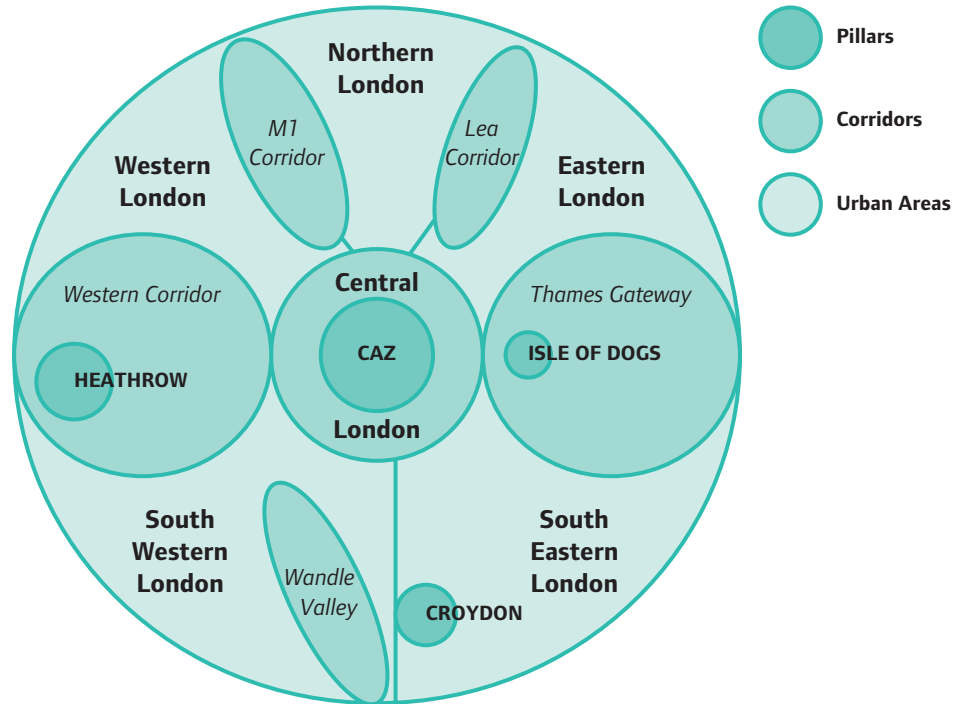
There is no single approach to understanding the economic geography of London. For example, the current London Plan is organised in terms of five sub-regional areas. The economic geography described here seeks to build on this earlier work. In particular this develops *The London Plan's* emphasis on key components of development within London and aims to enhance the robustness of this approach, challenging existing ideas of London's geography and generating ideas for the next *London Plan*. The Mayor had already indicated that the effectiveness of these boundaries for policy delivery should be reviewed.

Here we think of London in terms of broad geographic areas – Central London, Northern, Eastern, South Eastern, South Western, and Western. These are not the standard sub-regions used in *The London Plan*, which can restrict our economic understanding. Here we consider the pillars of development which are shaping employment change across London and highlight the development corridors that offer London potential for employment growth.

The mapping diagram (Figure 3.1) provides a simple illustration of how to think about London's economic geography. This shows London's pillars, its key centres of employment, as red and London's corridors of development, its places of relatively high or potential employment, as yellow. The wider urban areas, the large areas of London that are largely homes and residential communities, are blue.

Figure 3.1 Mapping London: Overview diagram

**Understanding London's Economic Geography**

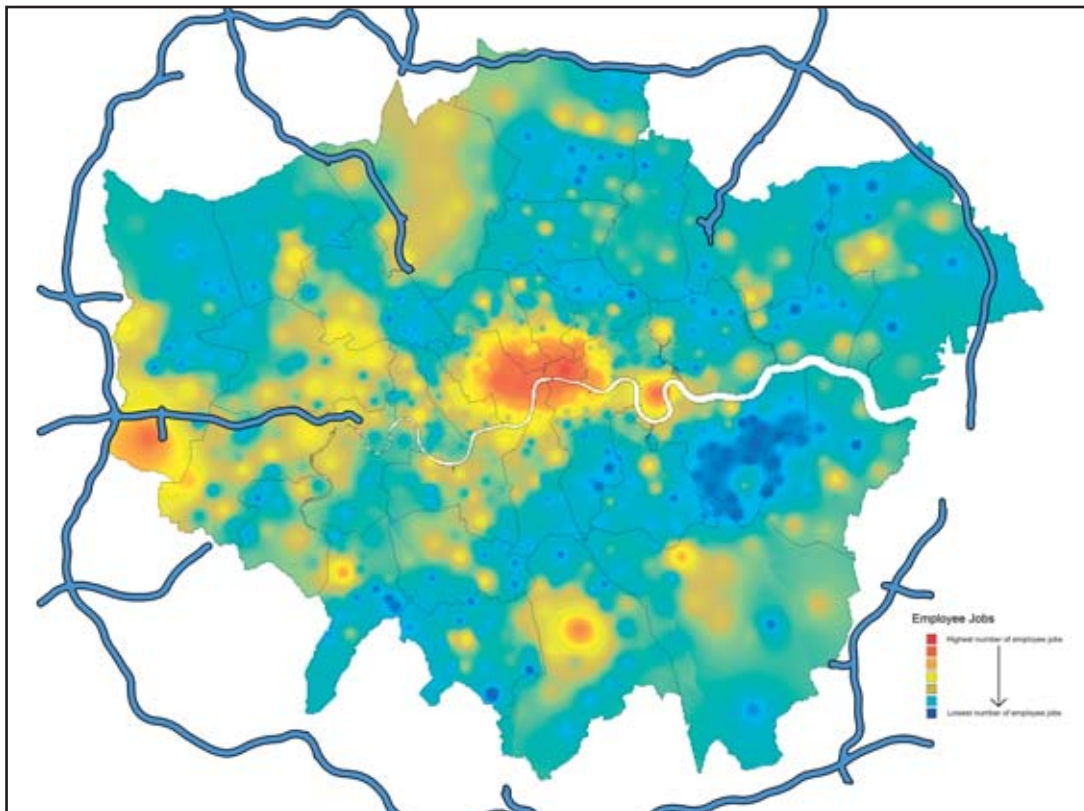


Source: GLA Economics

Figure 3.2 allows us to conceptualise London's economic geography. It is this map, based on the ward level pattern of London's employment in 2002, that underpins the overview diagram. It shows largely the same thing but follows the indicative shape and picture of London's actual areas.

The red areas are where employment is greatest, London's pillars of economic activity. These clearly emerge in the very centre of London, which the London Plan calls the Central Activity Zone (CAZ), the Isle of Dogs, Heathrow in the west and Croydon town centre in the south. Areas coloured yellow to orange are where employment is relatively high. This shows London's main development corridors but also its town centres. Where the map is blue employment is low and these areas are usually residential. In some areas employment is low because of large green spaces – these areas of the map are blue-green.

Figure 3.2 Mapping London: The geography of jobs



Source: GLA Economics, Annual Business Inquiry 2003

This framework provides a picture of London in 2002, and allows us to consider changes in jobs over the previous seven years. Looking ahead, new pillars may emerge. Just as over the 1990s the Isle of Dogs emerged as a pillar, the concentration of investment in Stratford and the Lea Valley, through hosting the Olympics in 2012, the development of Stratford City and the completion of the Channel Tunnel Rail Link, lays the potential for a further new pillar to emerge.

### Understanding London's geography: Pillars, corridors and wider urban areas

Taking this approach, London can be said to have four identifiable pillars that form the key centres of employment. These have the greatest concentrations of jobs:

- The main pillar is what *The London Plan* terms the Central Activity Zone (CAZ). This covers the City of London and neighbouring areas – Westminster's West End and St James, Camden's Bloomsbury and Holborn, Islington's Bunhill, Hackney's Moorfields and the Cathedral area of Southwark.
- Much smaller than the CAZ but growing rapidly is London's second pillar – the Isle of Dogs. With its towers at Canary Wharf and Jubilee Line extension, it has emerged as a core centre of jobs growth. Together the CAZ and the Isle of Dogs can be thought of as London's central business and commercial zone.
- London's pillar in the west of London is Heathrow Airport. Total employment at Heathrow has grown slowly in recent years but will grow in future years as the airport expands and the airport sustains jobs in the surrounding areas.
- Finally, London's fourth pillar lies in the south. Croydon is London's largest metropolitan area outside of central London. It has not performed strongly in recent years.

It is also possible to identify six wider areas, or corridors, that either have relatively high employment or are identified as having potential for growth:

- Central London surrounds the CAZ. It consists of the City of London, most of Westminster, parts of Kensington & Chelsea, Camden, Islington, Tower Hamlets and small parts of Hackney, Southwark and Lambeth.
- The Western Corridor covers large parts of Hillingdon including Uxbridge, along with much of the boroughs of Hounslow and Ealing. This leads to parts of Hammersmith & Fulham and Kensington & Chelsea and then shapes northwards towards Brent, Harrow and Barnet.
- The Thames Gateway (excluding the Isle of Dogs) is a priority area for regeneration and investment. In Tower Hamlets and Newham it includes much of Docklands, with Stratford and the Lower Lea Valley (Hackney and Newham), the areas that will host the Olympic Games in 2012.
- The Wandle Valley passes through the boroughs of Wandsworth and Merton following areas identified as having many employment sites.
- The Lea Valley Corridor is a priority area for development. Here it is taken as those areas with many employment sites and close proximity to the M11 motorway, including Waltham Forest and Hackney.
- Finally, it is also clear that there exists an M1 corridor, with parts of Barnet, Brent and Harrow around the M1 showing relatively high levels of employment.



The remaining parts of London outside of the pillars and corridors are wider urban areas. These areas contain a mix of town centres of varying size and function, suburban residences and open spaces, and account for most of London's land area. The complexity and variety of this area is hard to describe comprehensively, but it is home to most of those working in the central areas, and the location of the range of services and opportunities they need. Without them, other areas cannot thrive. This consists of:

- Northern London including the towns of Enfield and Finchley along with the northern areas of the boroughs of Camden and Islington.
- Eastern London, north of the both the Thames and the Thames Gateway area. This includes the towns of Ilford, Romford, Barking and Hornchurch.
- South Eastern London, south of the Thames and Thames Gateway area. This includes Bromley, a significant employment centre, and the towns of Bexley, Sidcup, Orpington, Eltham and Catford.
- South Western London all lying south of the Thames. This area has Kingston, also a key employment centre, and towns such as Surbiton, Sutton, Carshalton, Wimbledon, Mitcham, Wandsworth, Richmond and Twickenham.
- Western London, north of the Thames but comprising those areas outside of the Western Corridor, including towns such as Ruislip, Perivale, Willesden and Stanmore.

### **Sharing growth: Jobs growth in employment centres, jobs growth across London**

When central London grows, all of London benefits. Over 1995 to 2002, as London grew in its core business areas, employment increased across the whole London area. Conversely, as the recession of the early 90s shows, the links between central and other parts of London mean that when the former does less well, the latter tend to suffer as well.

The four pillars together have almost 30 per cent of all London's jobs. Table 3.1 highlights the pillars and their contribution to London's total employment:

- The CAZ alone has up to 950,000 jobs, over 24 per cent London's employees. It increased its employees by 14 per cent over 1995 to 2002, a quarter of all London's jobs growth.
- The Isle of Dogs has over 57,000 jobs, 1.5 per cent of London's employees. Its level of employment has doubled and it accounted for 6 per cent of all London's new jobs.
- Heathrow ward also has over 57,000 jobs, 1.5 per cent of London's employees.
- The cluster of wards forming the town centre of Croydon has almost 84,000 jobs, over 2 per cent of London's employees. It has lost jobs in recent years.

Table 3.1 Employment change in London's pillars

	Employees 2002		Employee Change 1995-2002		
	Total	% share of London	Total	% Change	% share of London's change
Central Activity Zone	950,800	24.2	117,100	14.1	24.3
Isle of Dogs	57,400	1.5	28,800	100.8	6
Heathrow	57,600	1.5	1,100	2	0.2
Croydon	83,800	2.1	-3,400	-3.9	-0.7
<b>Total for Pillars</b>	<b>1,149,600</b>	<b>29.3</b>	<b>143,600</b>	<b>14.3</b>	<b>30</b>
All London	3,931,400	100	481,200	13.9	100

Source: Annual Business Inquiry 2003

The five identified corridors have a little under 33 per cent of London's jobs. Table 3.2 highlights the corridors and their contribution to London's total employment:

- The Central London area has up to 550,000 jobs, 14 per cent of London's employees. It increased its employees by over nine per cent over 1995 to 2002.
- The Western Corridor has over 350,000 jobs, nine per cent of London's employees. It has experienced high growth of over 26 per cent, 15 per cent of all London's new jobs.
- The Wandle Valley also has over 58,000 jobs, 1.5 per cent of London's employees. This grew by 17 per cent over 1995 to 2002.
- The Lea Valley Corridor has almost 85,000 employees, over 2 per cent of London's total. It has increased jobs by up to 14 per cent.
- The M1 Corridor has over 70,000 jobs, 1.8 per cent of London's total. It has grown by 16 per cent.

Table 3.2 Employment change in London's corridors

	Employees 2002		Employee Change 1995-2002		
	Total	% share of London	Total	% Change	% share of London's change
Central London	549,200	14	47,700	9.5	9.9
Western Corridor	352,500	9	73,700	26.4	15.3
Thames Gateway (excluding Isle of Dogs)	167,100	4.2	15,600	10.3	3.2
Wandle Valley	58,100	1.5	8,500	17	1.8
Lea Valley Corridor	84,800	2.2	10,200	13.6	2.1
M1 Corridor	70,400	1.8	9,900	16.3	2.1
<b>Total for corridors</b>	<b>1,282,100</b>	<b>32.6</b>	<b>165,500</b>	<b>14.8</b>	<b>34.4</b>
All London	3,931,400	100	481,200	13.9	100

Source: Annual Business Inquiry 2003

The five wider urban areas have 38 per cent of London's jobs. Table 3.3 highlights the contribution of these to London's total employment:

- Northern London has had the fastest growth, of nearly 19 per cent over 1995 to 2002. Some of the highest growth rates are in Islington and Camden, suggesting areas that are becoming more like Central London.
- South Western London has had jobs growth of over 13 per cent. Again, it is areas closer to central London in the boroughs of Lambeth and Wandsworth that have had the highest jobs growth.
- Western London also had growth of over 13 per cent. Much of this growth is found within parts of the boroughs of Hammersmith & Fulham, and Kensington and Chelsea, those areas between the Western Corridor and Central London.
- Eastern London and South Eastern London have had slower rates of jobs growth.

Table 3.3 Employment change London's wider urban areas

	Employees 2002		Employee Change 1995-2002		
	Total	% share of London	Total	% Change	% share of London's change
Northern London	262,800	6.7	41,500	18.8	8.6
Eastern London	242,000	6.2	23,100	10.5	4.8
South Eastern London	262,100	6.7	21,500	8.9	4.5
South Western London	392,100	10.0	45,600	13.1	9.5
Western London	341,700	8.7	40,300	13.4	8.4
<b>Total for wider areas</b>	<b>1,500,700</b>	<b>38.2</b>	<b>172,000</b>	<b>12.9</b>	<b>35.6</b>
All London	3,931,400	100	481,200	13.9	100

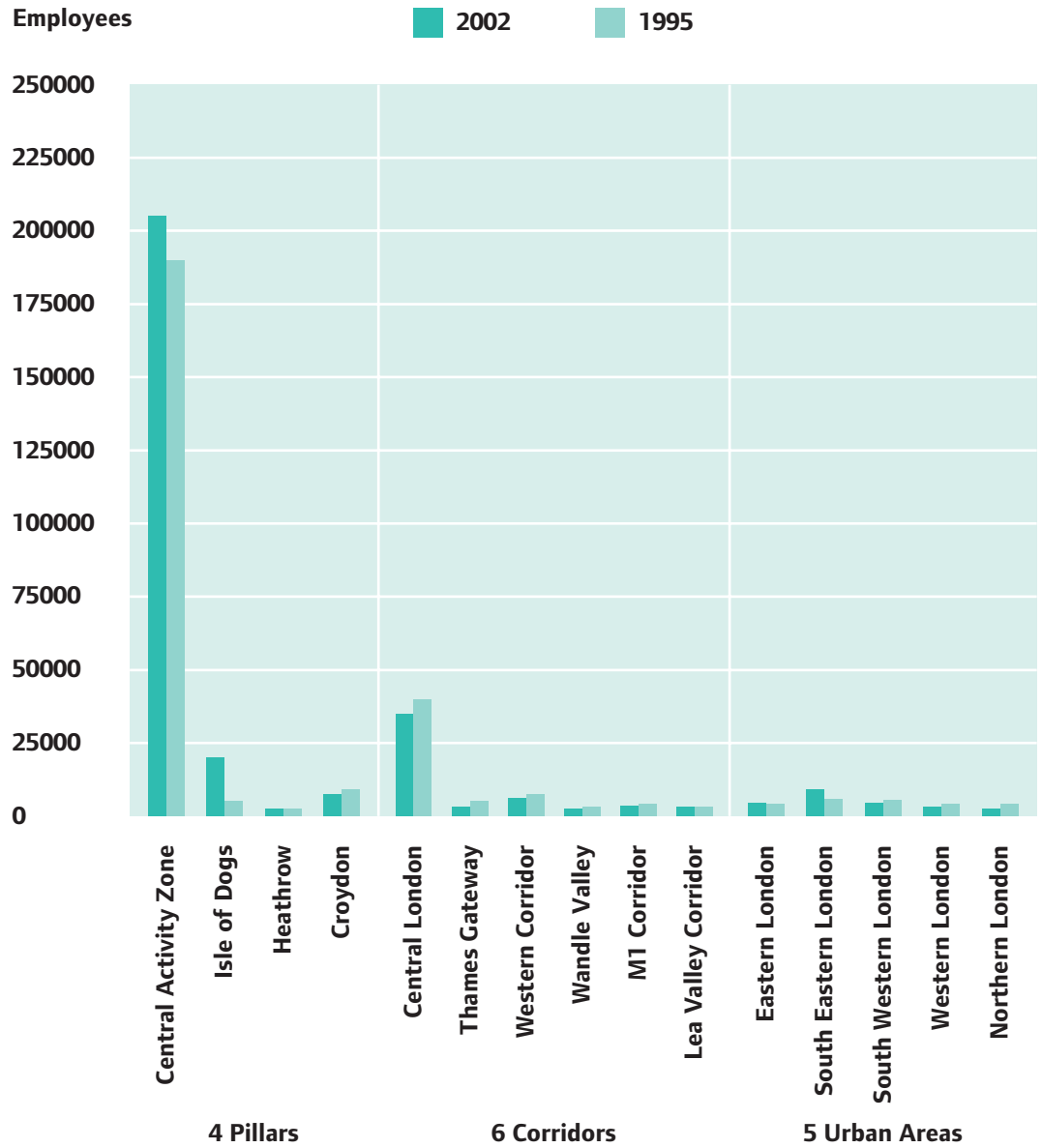
Source: Annual Business Inquiry 2003

### More jobs, fewer places: Agglomeration in core areas

The benefits of agglomeration are critical to London's success: the concentration of economic activity that gives access to customers, to suppliers, to workers and to related and competing enterprises.

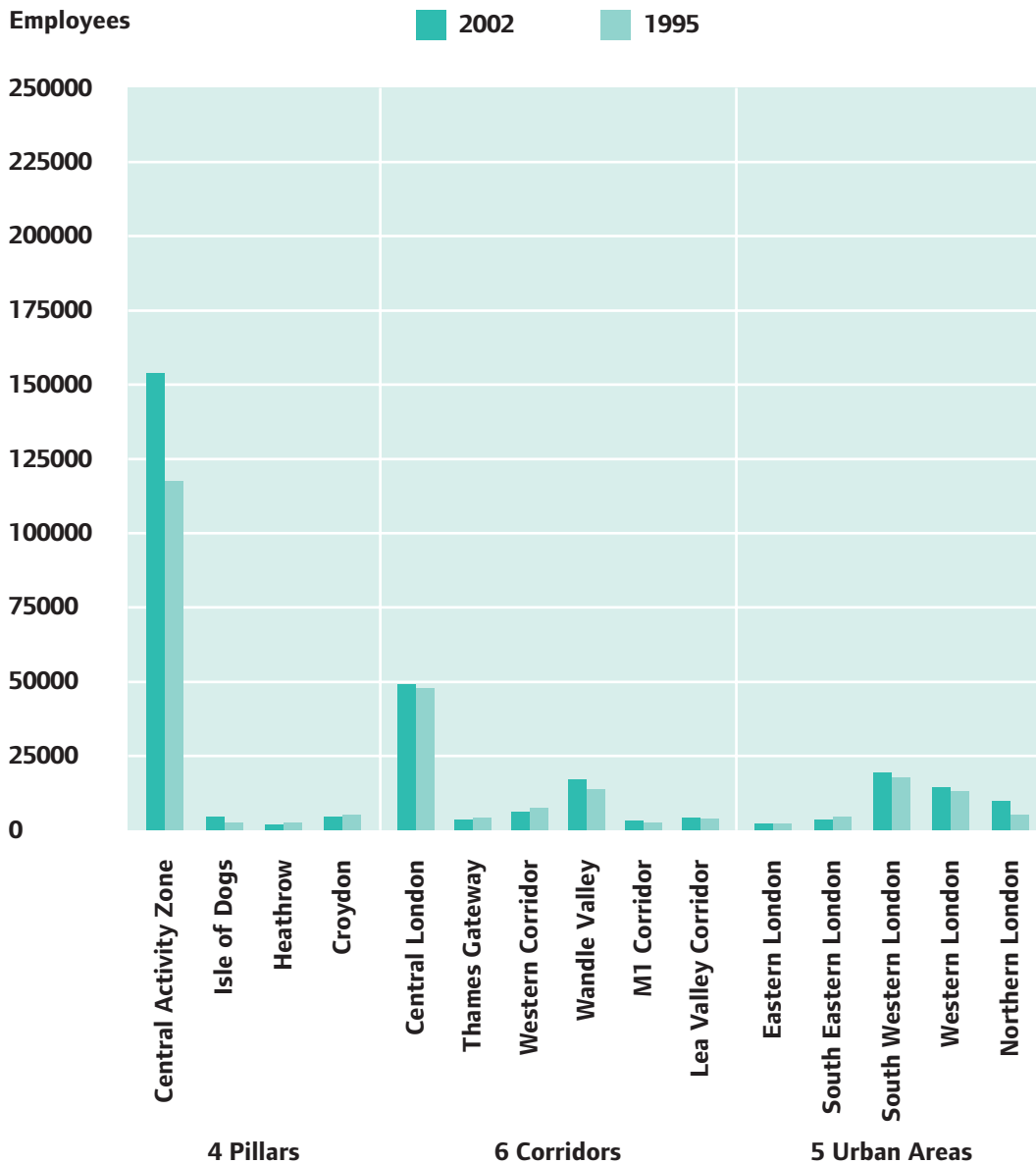
This is most strikingly true of Central London. The financial services sector, including all aspects of banking and insurance, clusters strongly in the pillars of the CAZ and the Isle of Dogs. In 2002, the CAZ had 204,000 jobs in financial services, 61 per cent of all finance jobs in London. Over 1995 to 2002, the CAZ gained over 13,000 jobs in finance (seven per cent). However, the most rapid growth in financial services was in the Isle of Dogs. In 2002, this had over 22,000 finance jobs, almost seven per cent of London's total. This is up by 17,000 since 1995 - quadrupling the number of finance jobs.

Figure 3.3 Employees in financial services



Source: Annual Business Inquiry

Figure 3.4 Employees in professional services



Source: Annual Business Inquiry

Professional services includes a range of activities in law, accounting, market research, advertising, business consultancy, management activities, architecture and engineering that are often well paid and also benefit from coming to together in the central areas of London.

The CAZ has nearly 160,000 such jobs, almost 50 per cent of London's professional services. This is also where professional services are growing, up by 39,000 jobs (33 per cent) between 1995 and 2002. If professional services are not in the CAZ, they are likely to be within Central London, with up to 50,000 of these jobs located there.

Similar agglomeration effects underlie the distinctive offer and success of the West End. The area around Oxford Street, Bond Street and Regent Street has by far the largest amount of retail floorspace of any centre in London, with around ten per cent of London's shops and around 14 per cent of London's retail units with more than fifty employees.<sup>63</sup> These include large and flagship shops, including well-known department and specialist stores able to provide a wider range of goods and services than is possible in more typical town centre locations. The West End also has concentrations of leisure and entertainment services, with 12 per cent of the national total of entertainment jobs (covering theatres and cinemas).<sup>64</sup> The West End accounts for almost £4.5 billion of retail spending alone, with surveys showing that visitors are attracted by the wide choice of shops, the presence of particular stores and the area's atmosphere, variety, eating and drinking options, and other leisure activities.

Agglomeration can be seen outside the centre as well. While most boroughs in London have seen an increase in the number of jobs over recent years, these have tended more and more to focus on defined centres. Research by the Centre for Advanced Spatial Analysis at University College London for the Office of the Deputy Prime Minister has shown that 61 per cent of comparison (i.e. non-food and drink) retail employment and 59 per cent of jobs in bars and restaurants are located in town centres. Analysis of trends in retail floorspace and employment in London's centres between 1971-2001 also suggests the power of agglomeration factors, with larger centres improving their position, and medium-sized or smaller ones performing less well.

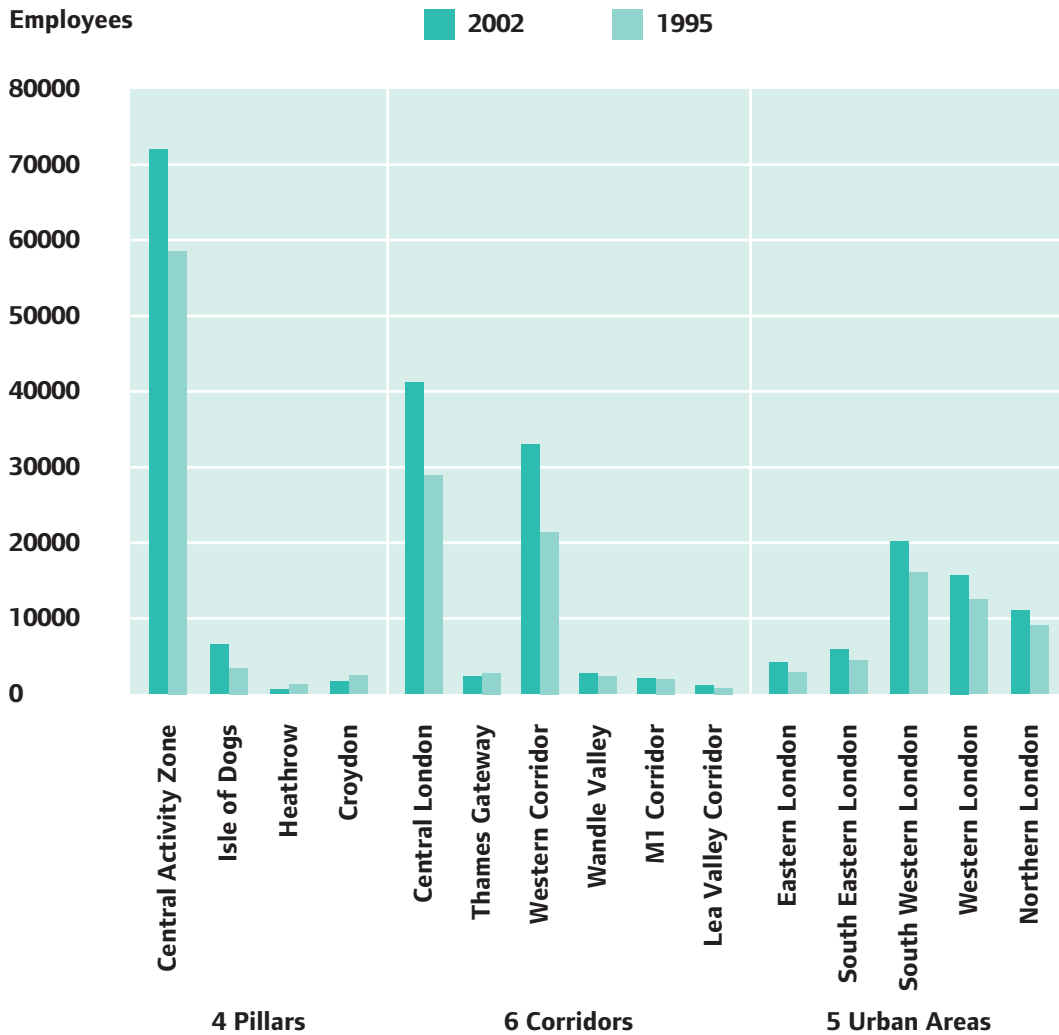
### **Spreading success: New opportunities, new jobs**

The growth of London is not only about financial and professional services. There are other activities that have grown strongly and share the agglomeration benefits of locating within London. These have tended to be far less concentrated in the CAZ itself, such as activities relating to creativity or leisure. These have ensured that the success of London's growth has spread across the capital.

GLA Economics considered creative activities in *Creativity: London's Core Business*.<sup>65</sup> This showed how jobs in creative sectors such as television and radio, publishing, software and performing arts have had the highest rates of growth away from the main centres.

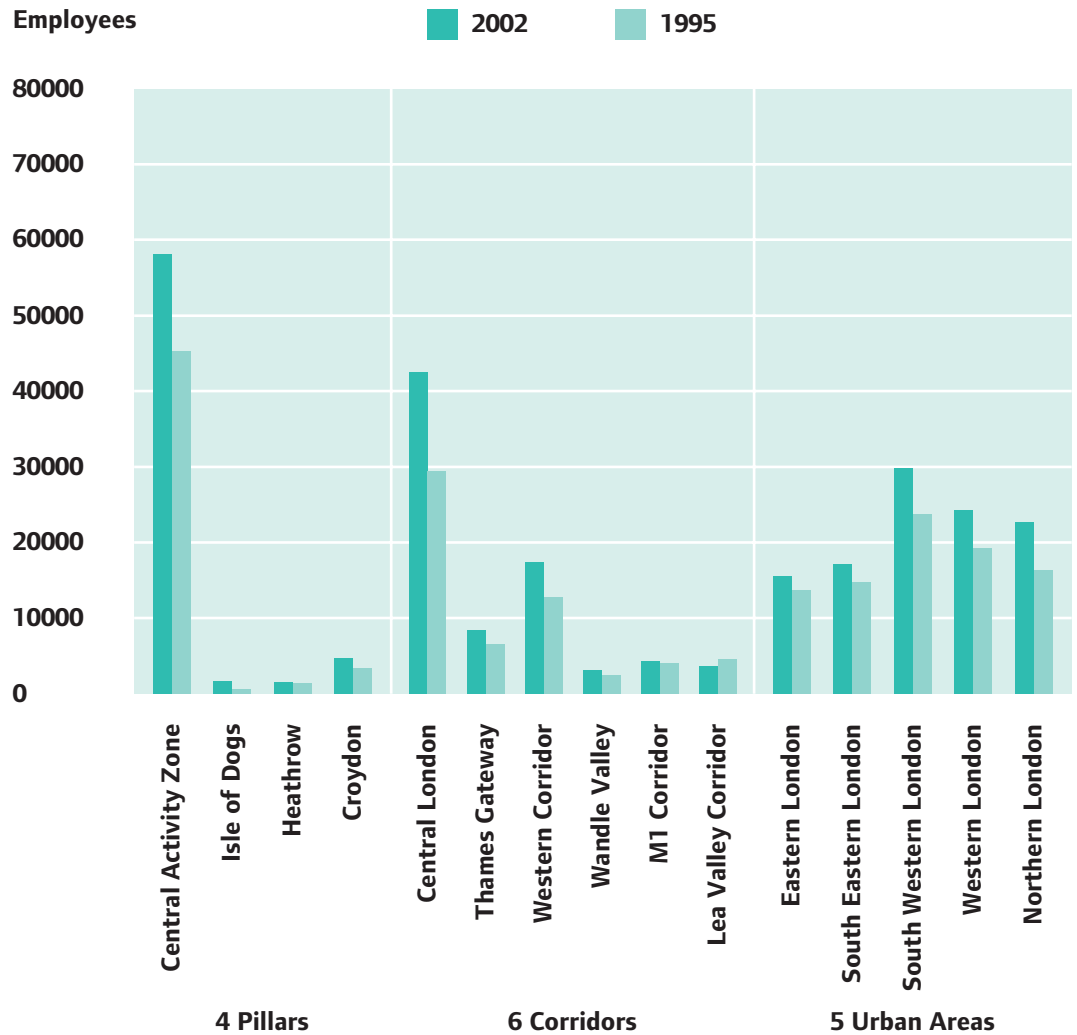
In 2002, the CAZ had 72,000 of these jobs, with growth of 23 per cent over 1995 to 2002. However growth was greater in Central London around the CAZ, which grew by 43 per cent to 41,000 jobs in 2002. This illustrates that while creative activities need to be within central areas of London, they are not so likely to concentrate within the CAZ. Creative activities also feature strongly within the Western Corridor. In 2002, this had 33,000 jobs in these creative activities, which had grown by 54 per cent since 1995. Many of these are concentrated within parts of Hammersmith & Fulham and Hounslow.

Figure 3.5 Employees in creative activities



Source: Annual Business Inquiry

Figure 3.6 Employees in leisure activities



Source: Annual Business Inquiry

GLA Economics reviewed the importance of leisure activities such as bars and restaurants to London's economy in *Spending Time: London's Leisure Economy*.<sup>66</sup> Leisure activities have grown across London and while the greatest concentrations are in tourist centres within the CAZ such as the West End, much of the growth has spread across London's town centres.

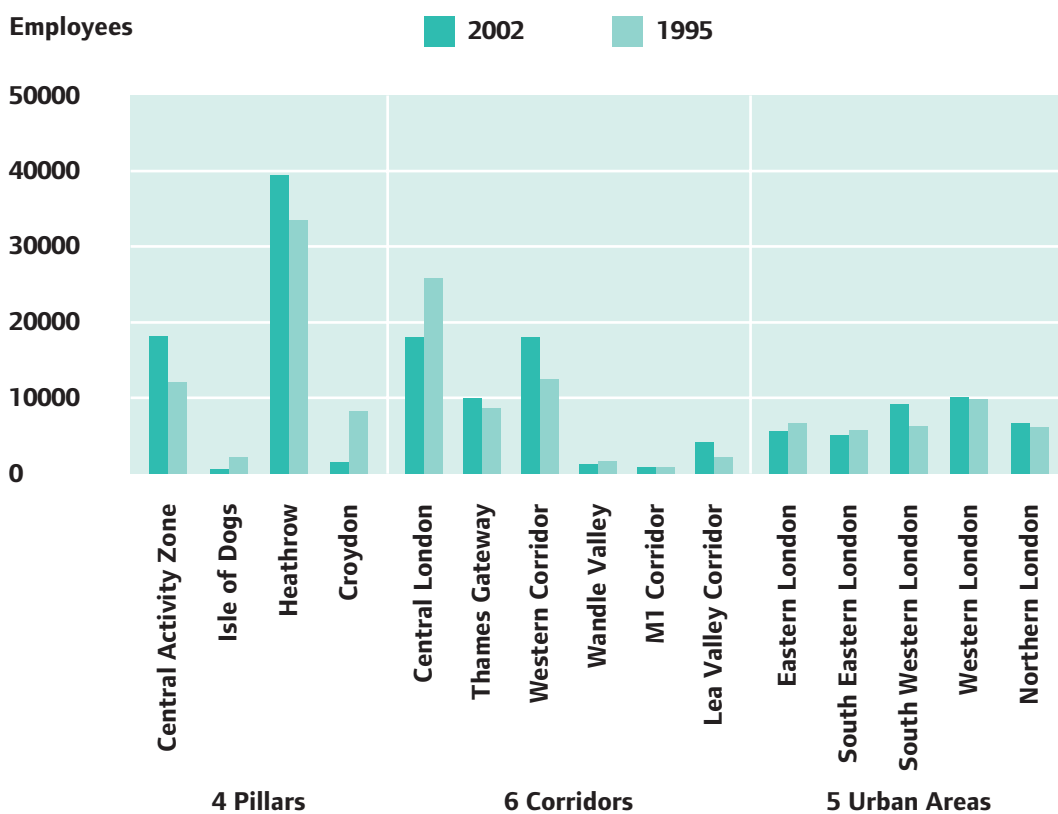
The CAZ had over 58,000 jobs in leisure activities in 2002, which grew by 29 per cent over 1995 to 2002. However, Central London had more rapid growth, up by 45 per cent to 43,000 jobs. Areas such as the Western Corridor and Croydon also had high growth in leisure; other emerging leisure clusters include Clapham (Lambeth), North Finchley (Barnet) and several areas in Hammersmith and Richmond-upon-Thames.



### Supporting success: Airports, highways and moving goods

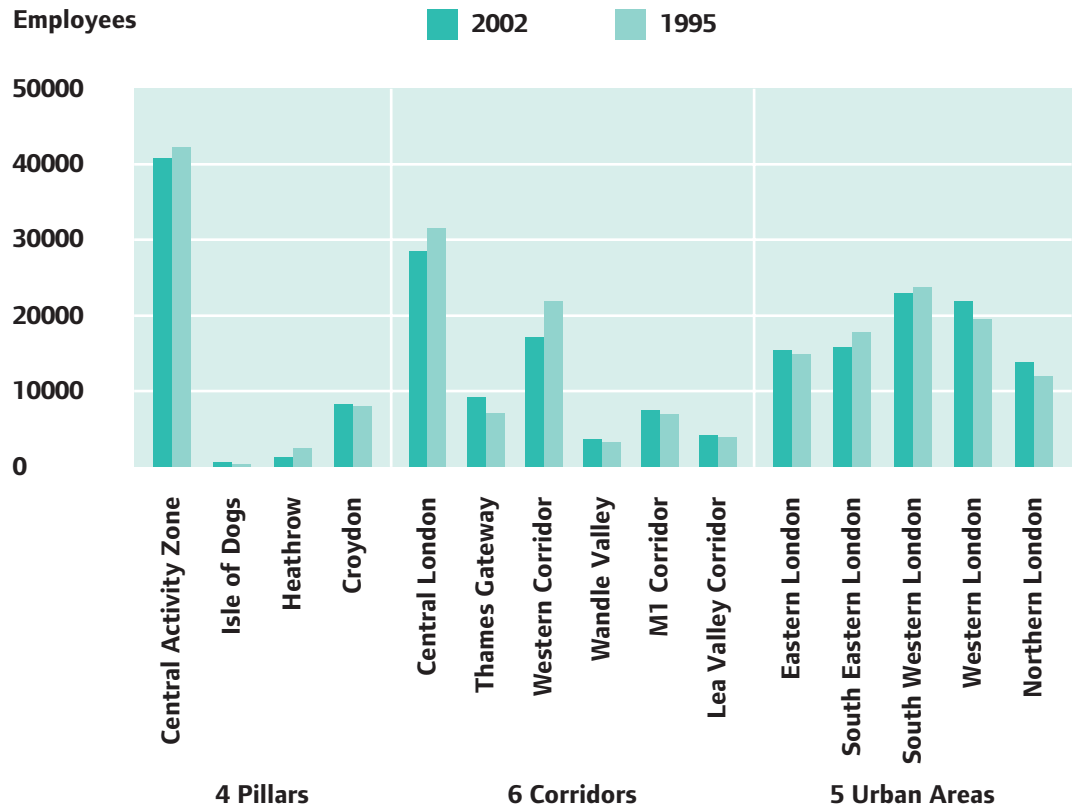
Moving people and moving goods has become increasingly important for those areas of London away from the centre. This includes industrial-type activities such as logistics, waste and transport which have potential for growth. The clearest change is in those activities relating to passenger transport (including travel by air, rail and bus), freight and storage. A key driver of this economic change is Heathrow Airport. Heathrow itself had nearly 40,000 jobs in these activities in 2002, 27 per cent of London's total. Moreover, the number is growing, by 18 per cent between 1995 and 2002. This is also shaping neighbouring areas across the west side of London. Over 1995 to 2002, these activities grew by 46 per cent in the Western Corridor and 47 per cent across South Western London. The fastest rate of growth was within the Lea Valley Corridor, where the numbers of jobs in these sectors doubled.

Figure 3.7 Employees in passenger transport, freight and storage



Source: Annual Business Inquiry

Figure 3.8 Employees in retailing of comparison goods



Source: Annual Business Inquiry

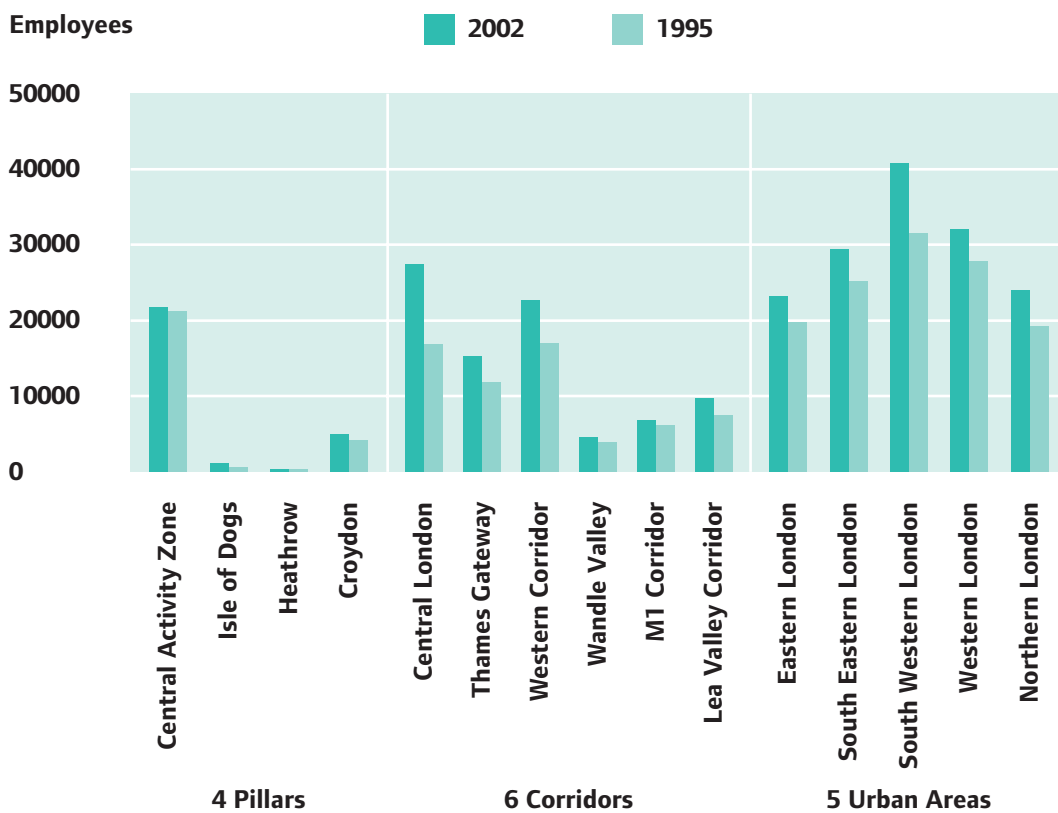
The retailing of comparison goods is about non-food goods, for example clothing, furniture, electrical equipment, DIY tools and books. The way people shop for such goods has evolved away from high streets, often to larger retail centres. While employment declined over 1995 to 2002 in the CAZ (by three per cent), Central London (ten per cent) and the Western Corridor (22 per cent), it grew in the Thames Gateway (27 per cent), M1 Corridor (eight per cent) and Lea Corridor (five per cent).

### More residents, more jobs: Local services, local needs

The variety of opportunities available in London will continue to attract new residents to the capital, and linked with expected high natural population growth there will be increasing demand from residents for local services. Research for GLA Economics in *More Residents More Jobs*<sup>67</sup> calculated that an increase of 1000 in the resident population has on average the potential to give rise to a further 230 jobs in the locality. This is simply because many parts of London have a high proportion of employment that serves the local population: jobs in convenience retail selling food, local doctors and dentists, along with local services such as estate agents, hairdressers and dry-cleaning.

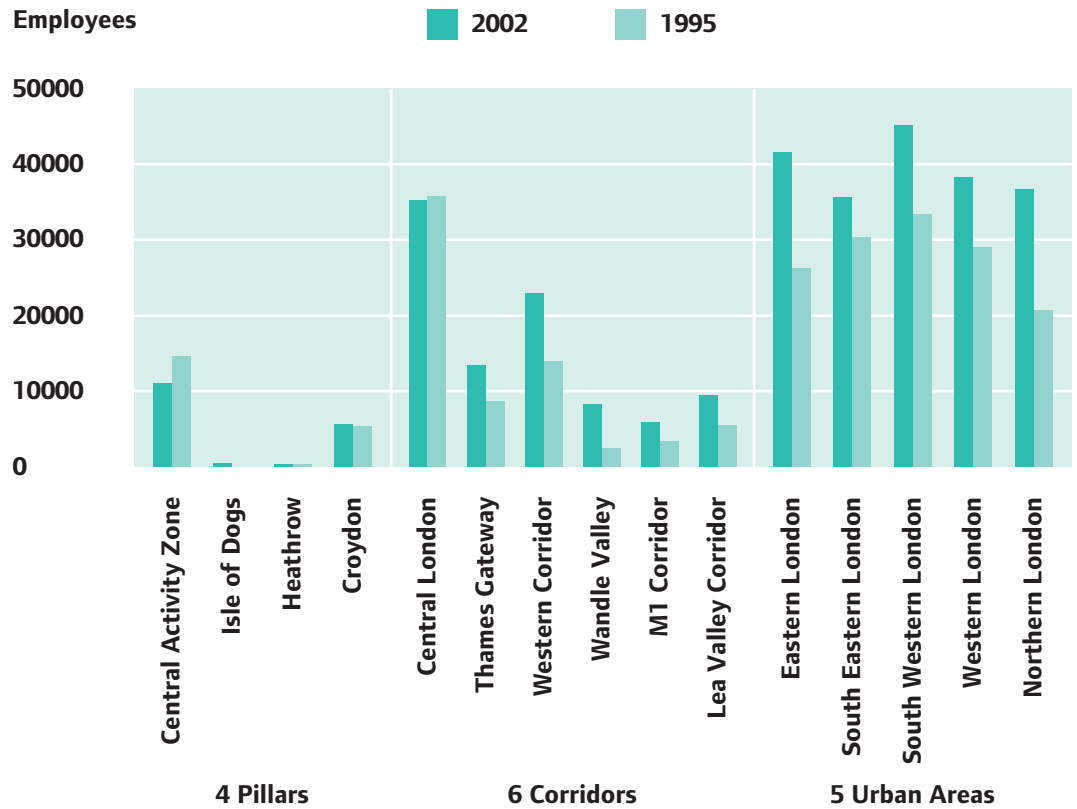
These jobs have grown rapidly in Central London over 1995 to 2002, by over 63 per cent to 27,000 jobs. However, these jobs are of most significance in the residential wider urban areas of London, where they account for one in ten of all jobs. These have increased most in south western London (by 29 per cent) and in northern London (by 25 per cent).

Figure 3.9 Employees in local activities



Source: Annual Business Inquiry

Figure 3.10 Employees in schools and hospitals



Source: Annual Business Inquiry

A growing population also needs public services such as schools and hospitals. Recent years have seen large increases in government spending on education and health care. This has led to 80,000 more jobs in London's in schools and hospitals. The impact on the economic geography of London has increased employment in wider urban areas particularly, with 16,000 more jobs in Northern London and 15,000 more jobs in Eastern London.

The distribution and growth trends of London's population will be important to the city's economic development. London's 7.4 million people are spread unevenly over the city's 1,570 square kilometres. Within inner areas of London, 20 per cent of London's land area is home to 40 per cent of London's residents, up to 9,000 people in each square kilometre. Outer areas of London, 80 per cent of the area, are home to 60 per cent of the residents, with 3,600 people in each square kilometre.

London's population has grown at a rapid pace. Over 1995 to 2002, the city grew by almost 550,000 people (6.6 per cent). The most rapid population growth has been in the central areas of London. Westminster grew by 40,000 people (28 per cent), Kensington & Chelsea by 28,000 (20 per cent) and Tower Hamlets by 30,000 (17 per cent).

Western areas of London have also had high population growth, Brent growing by 21,000 (nine per cent), Hammersmith & Fulham by 19,000 (13 per cent) and Ealing also by 19,000 (seven per cent). In contrast, the east and south east have had little growth.

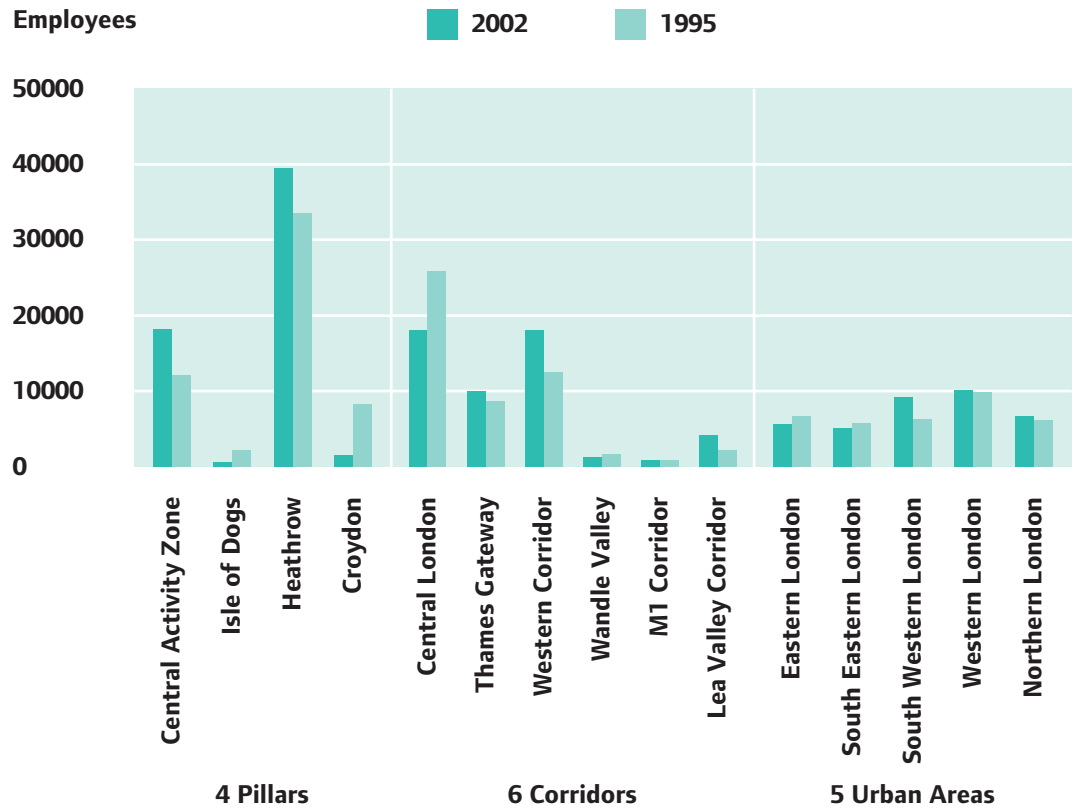
London's population will also be increasingly diverse. This means that the range of services and opportunities sought is likely to increase, as well as the quantity. There are already parts of London that cater for particular ethnic groups (such as Wembley and Southall for Asian communities, Kingston for Koreans and Golders Green for the Jewish community); it is likely that this specialisation will continue to develop.

### **Changing industry, changing places**

For several decades, the balance of London's economy has been moving to one of different types of services and away from manufacturing industry. Research by GLA Economics<sup>68</sup> looked at London's manufacturing, illustrating the long decline in employee jobs and how much of London's manufacturing jobs today are either part of publishing (now viewed as part of the creative industries) or are managerial and headquarters functions – and so are not really manufacturing activities at all.

Given the scale of job losses in London's industrial manufacturing from the 1960s till the early 1990s, in more recent times there have been simply fewer such jobs to lose. Even so, over the period 1995 to 2002, London's employment in manufacturing activities continued to decline. This has heavily impacted on particular areas of London.

Figure 3.11 Employees in industrial manufacturing\*



Source: Annual Business Inquiry, \*excluding printing and publishing

In the Thames Gateway, home to 15 per cent of London's industrial jobs and where 13 per cent of employee jobs are still in manufacturing industry, the number of such jobs contracted by 18 per cent over 1995 to 2002. This fall was echoed across both Eastern London and South Eastern London.

The Western Corridor is less dependent on manufacturing, where it accounts for seven per cent of jobs. There is, however, more manufacturing industry there, with 18 per cent of the sector's jobs, than in the Thames Gateway. Here the sector contracted by only three per cent over 1995 to 2002. The sector continued to lose jobs across South Western, Western and Northern London.

### Live London, work London: Where residents are and where jobs are

There is no simple coincidence between where people live in London and where people work in London. Many residents have to travel to where the jobs are. The fluidity of London's labour market can be assessed in three ways,<sup>69</sup> looking at:

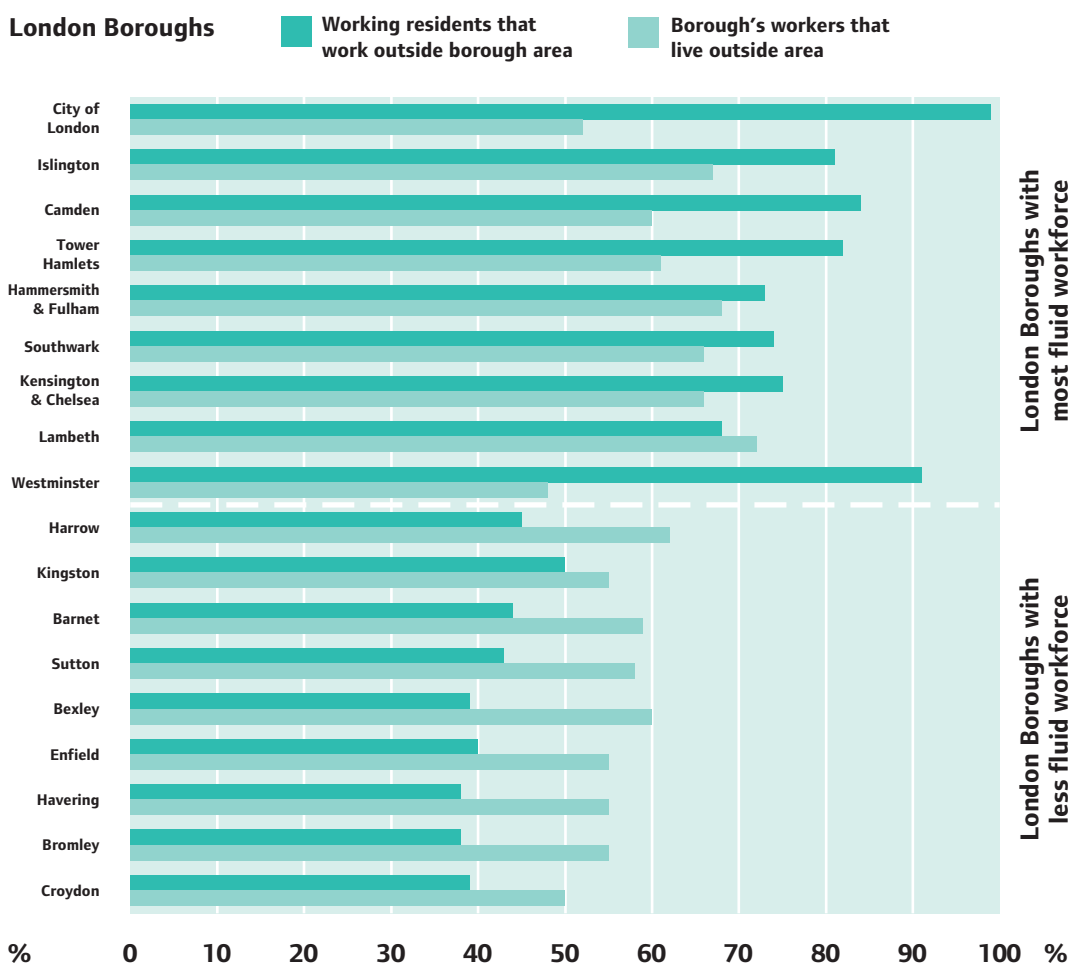
- the ratio between the number of workers in a borough and the number of working residents (people who both live and work in London) in the borough.

- the percentage of working residents who work in the borough in which they live.
- the percentage of workers in a borough who live outside that borough.

The core boroughs of London have the highest ratio of workers to working residents. The City of London provides a unique example, with over 310,000 workers but little more than 4,000 working residents – 73 workers for every working resident. Westminster has 5.7 workers for each working resident, Camden 2.5, Tower Hamlets 2.1 and Islington 1.7. These areas need workers to travel from other parts of London. In most of outer London, there are fewer workers employed than there are working residents. Residents travel to where the jobs are.

Figure 3.12 illustrates the fluidity of the workers and residents within boroughs of London. This compares those boroughs that have the most need for workers to travel to or from other places and those which have less travelling for work.

Figure 3.12 Fluidity of workforce by borough



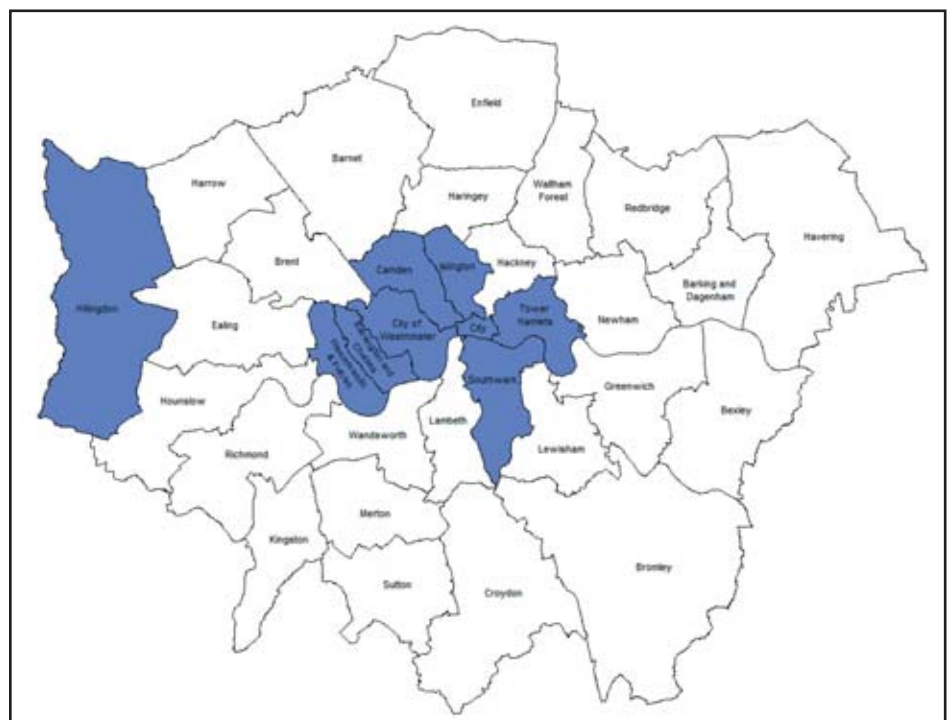
Source: Census 2001, GLA Data Management & Analysis Group

In London as a whole, 66 per cent of workers work in a borough that is not the one in which they live. In boroughs such as Westminster, 91 per cent of workers do not live there; the equivalent figure is 84 per cent in Camden, 81 per cent in Tower Hamlets. Even outer London boroughs depend substantially on non-resident workers – 39 per cent of Croydon's workers do not live there, 43 per cent in Sutton, 50 per cent in Kingston. Lambeth is an example of a borough in which over 70 per cent of residents who work have their jobs in other boroughs. In almost all of London's boroughs more than half of working residents do not work in the borough in which they live. There are no self-contained borough or sub-regional labour markets – jobs growth in one area of London creates opportunities for residents in another area of London.

**Travelling to work: Commuting to jobs**

Given that the majority of London residents do not live and work in the same London borough, there are therefore a high number of commuting trips on a daily basis within London. Many of these commuting trips are to Central London. Indeed, as shown in Figure 3.13, eight boroughs clustered towards the centre of London have net inflows of commuters (i.e. they have more people commuting to them than out of them) while all other London boroughs (except Hillingdon) have net-outflows of commuters.

Figure 3.13 Map highlighting London boroughs which have a net inflow of London resident commuters.



Source: GLA Economics, Census 2001



Radial commuting journeys into Central London (defined here as the eight central net in-commuting boroughs shown in Figure 3.13) from the remaining inner and outer boroughs include the majority of rail and underground commuting trips within London. In total, 25 per cent of all commuter journeys by London residents were radial into Central London, with a further three per cent radial out of Central London. Additionally, eight per cent of trips took place between these Central London boroughs.

Orbital commuting journeys, defined here as those that include the crossing of a borough boundary but do not begin or end in Central London, accounted for a further 19 per cent of London residents' commuting trips according to the 2001 census. These trips include a high share of car journeys in comparison to radial commuting.

In addition to radial and orbital commuting trips within London, another commuting flow is that of London residents who are employed outside London. These out-commuters totalled 236,000 in 2001 (seven per cent of London's resident workforce). Furthermore, the number of out-commuters has grown strongly over the past decade, with the growth rate in out-commuters from London exceeding the growth rate of in-commuters into London. Nevertheless, the net inflow of commuters into London remains at close to 500,000 people per day.

The final category of commuters are those who do live and work in the same London borough and who therefore have relatively short journeys. These local commuters consisted of 38 per cent of London's working residents in 2001, a sharp decline from 45 per cent in 1991.

### The future economic geography of London

The policy framework set by *The London Plan* and the Mayor's Economic Development Strategy seeks to accommodate London's growth within its current boundaries sustainably, without encroaching on the Green Belt or other open spaces. *The London Plan* sets spatial priorities, indicating where in London growth should take place and the investment that will be required to support this. It identifies the need to shift the centre of gravity in London's development eastwards, both because east London has not benefited from development in the recent past, and because it has large areas of under-used land and resources capable of more efficient use – particularly in the Thames Gateway corridor, running east along both banks of the Thames. It is for this reason that east London is identified in the plan as the priority area for development, regeneration and infrastructure improvement.<sup>70</sup>

This eastward thrust builds on developments over the past twenty years, as many financial and business activities concentrated in the CAZ have moved to the Isle of Dogs. The Greater London Authority, the London Development Agency and key partners are developing proposals for realising the potential of the area immediately to the west of the Isle of Dogs, around the Royal Docks and Charlton. The plans will aim to make the most of the drivers of growth in the western Thames Gateway – Canary Wharf, the development planned at Stratford City, Anschutz Entertainment Group's proposals for the Dome and potential development of the Excel Centre and local housing markets. They will be based around making the most of the area's opportunities for economic development, providing up to 150,000 units of much-needed housing, and providing real benefits for local communities. The objective is to provide a new urban quarter for London for the 21<sup>st</sup> Century – City East. This will be the largest development project in the world outside China.

East London will also benefit from large-scale development and investment in the wider Thames Gateway area, including the new community planned for the Greenwich Peninsula, redevelopment of Woolwich Arsenal and improvements to Woolwich town centre. In addition, there is now the prospect of development linked to the 2012 Olympic and Paralympic Games, which will transform the Lower Lea Valley, providing a range of opportunities for local people and the foundations of a new community for the Lower Lea Valley, with a rich legacy of new housing, open space and sports and leisure facilities.

This will be backed by planned transport investment to extend the Docklands Light Railway, new transit schemes and the Thames Gateway Bridge, as well as (subject to funding) implementation of Crossrail. Phase 1 of the East London Line, scheduled for completion in 2010, will also significantly enhance the accessibility of inner east London and improve the connectivity of the inner orbital network.

This investment will increase capacity to support the continued success of the Isle of Dogs and development of City East, and to improve levels of accessibility for parts of London where the limited ability to access jobs and other opportunities has weakened prospects for development and regeneration. Without these improvements, the planned expansion of jobs and homes in the area will be impossible.

Growth will also be accommodated in central London and in town centres. Growing population and prosperity mean that London might need around a million square metres of comparison retail floorspace.<sup>71</sup> Nearly half of this will be required in central London, with about 20 per cent in south London and the rest equally split between East, North and West London.

Of particular importance will be the need to sustain the West End as a world-class retail, leisure and entertainment quarter able to continue to compete with places like L'avenue Champs Elysees in Paris and east 57th Street in New York. This will require policies in place supporting the development and improvement of the area, deepening its distinct retail offer and addressing the transport and environmental factors that have held the area back in recent years.

By 2025, it is likely that London's economic geography will look quite different from the picture shown in the overview diagram in this chapter. The CAZ will extend further east, and there is likely to be a new pillar at Stratford/Lea Valley. The importance of the Heathrow area is likely to be reinforced, and development at Cricklewood, Wembley and Park Royal will form the basis of a new pillar anchoring the M1 corridor. These developments will be supported by the extensions to the Piccadilly and Heathrow lines to serve Heathrow Terminal 5, which are under construction in west London, and by Crossrail. Crossrail will provide essential capacity from Heathrow through to the City, West End and Canary Wharf. If it does not proceed, then the loss of accessibility and the increasing congestion and delays on London's public transport system will increasingly undermine the attractiveness of London as a business and residential location, especially for internationally mobile business. London's position as a competitive world city which benefits our nation as a whole, as well as London and Londoners, would be put at risk. It is also vital that the capacity improvements for the Underground and national rail systems are delivered to meet the substantial projected growth in peak-time travel.

Improved accessibility in the eastern Thames Gateway will underpin a substantial increase in population and jobs there. But none of this will be possible unless key bottlenecks which prevent London from making the most effective use of the resources it has to hand are addressed. This is the subject of the next chapter.



## 4 Addressing bottlenecks and ensuring a high value London for all

A high productivity, high creativity economy can bring tremendous rewards. But sustaining it over time depends on being able to make the most of all the inputs such an economy needs – ready access to a workforce with the necessary skills and aptitudes, a high quality, well-maintained and safe environment, adequate transport, housing, health, education and other social infrastructure and sufficient land and premises. If there are bottlenecks that frustrate efficient use of these resources, economic success will eventually begin to wither. Such a situation is also likely to have serious social implications as some people find it difficult to access the opportunities and services they need. In addition, really sustainable development means making sure that waste is eliminated.

Meeting the challenges posed by economic, social and environmental changes requires that London continues to host high value economic activities. These do not thrive in cities with a poor environment, unreliable transport or low quality housing, educational and other facilities. Attracting and retaining people with high levels of human capital requires a high quality of life, and the housing and infrastructural provision that only a high value city can provide.

For these reasons, understanding and resolving the bottlenecks that prevent the best being made of the scarce resources available to London is imperative. It is often asserted that London's economy is overheating; if this were true, it would be expected that the capital would have a tight labour market. Instead, as described in other chapters, London is characterised by a low employment rate. Tackling the factors holding too many Londoners back from success in the labour market will yield major benefits for London and the UK as a whole.

### Helping more Londoners succeed in the labour market

As shown earlier, London employs a greater proportion of highly skilled people than other parts of the UK. This demand for higher skills is largely a result of London's industrial structure and the sectors in which it has particular comparative advantages, and especially the move from manufacturing towards services. Services tend to be more dependent on human capital than production or manufacturing, where physical capital is more relevant. One of London's key strengths is a deep, highly skilled workforce from which firms can draw; London came first in a recent survey of 30 different European cities on the quality of its staff.<sup>72</sup> It is clear that London's continued prosperity rests, to a great extent, on its ability to develop, attract and retain highly skilled people. As more businesses want to locate in London to benefit from its pool of labour, so more highly skilled labour is drawn to London by the employment opportunities it offers. This further increases London's attractiveness to business and so the cycle continues.



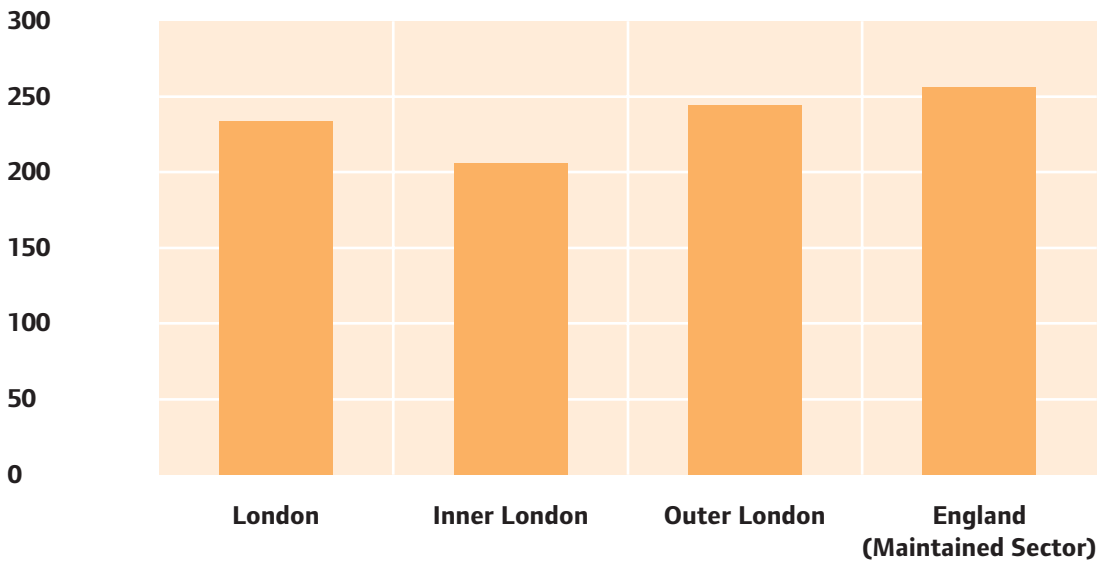
Too many Londoners are not succeeding in the new labour market, however. One reason is that too many start their careers without the grounding they need in today's workplace. Data from the Department for Education show that inner London schools perform particularly poorly, in terms of delivering pupils with good GCSE/GNVQ grades, when compared to outer London and England as a whole. Inner London schools achieved around 47 per cent of pupils at grades A\*-C at GCSE/GNVQ – significantly below the 55 per cent of pupils achieved in outer London.

Some groups of children face particular disadvantage. As with other parts of the UK, girls are achieving better grades than boys. Again there is a disparity between inner London and outer London with, on average, 41 per cent of inner London boys achieving five A\*-C grades at GCSE/GNVQ compared to 53 per cent of girls. This compares to 51 per cent of boys and 60 per cent of girls in London's outer boroughs (which is better than the 47 per cent and 57 per cent achieved across all England's maintained schools). Other research suggests that the performance of African-Caribbean boys in London schools is of particular concern.<sup>73</sup> In general recent research<sup>74</sup> has demonstrated significant differences in educational attainment between pupils of different ethnic backgrounds. Black pupils in London have lower levels of attainment on average than white pupils. Pupils of Pakistani or Bangladeshi origin have broadly similar average attainment to white pupils, while Indian and Chinese pupils have higher levels of attainment on average than white pupils. However, these differences in average attainment can obscure the very substantial differences that exist in the educational attainment of pupils within all ethnic groups. Socio-economic factors play a key role here and they as well as ethnicity need to be taken into account if policies to increase educational attainment are to be successful.

The poor relative performance of inner London pupils continues at higher level qualifications. Figure 4.1 shows the average point score by candidates achieving GCE/VCE A/AS and key skills at Level 3 qualifications. It shows that inner London achieves a lower score than the London average, which is itself, in this instance, below the average for England as a whole. As with the GCSE/GNVQ qualifications, boys perform worse than girls at this qualification level.

Figure 4.1 Average point score by candidates achieving GCE/VCE/A/AS and key skills at Level 3 qualification

**Average Point Score**



Source: DfES

While a greater proportion of young people participate in education in London, pupils' achievement varies, particularly as between inner and outer London and as between boys and girls. Without an effective school education it will be difficult for young Londoners to take advantage of the opportunities London's higher education sector offers.

Londoners' uneven success carries on into further and higher education. This plays a vital role in enabling them to compete for the high-skilled jobs London provides. While participation rates of young Londoners in higher education are higher than for the UK as a whole, there are disparities between boroughs within London. Higher education participation rates in London's less prosperous boroughs are below those in the more prosperous boroughs. For instance, the age participation index<sup>75</sup> in each of Tower Hamlets, Southwark and Hackney is less than 26 per cent (more than 10 percentage points below the average for London) whereas the age participation index in Richmond, Harrow, Redbridge and Barnet is above 50 per cent (more than ten percentage points above the London average). This distinction between prosperous and less prosperous boroughs is broadly reflected at school level as well.

Whilst London attracts many young highly skilled workers, in terms of domestic migration the outflow of people from London exceeds the inflow. The data show that the net outflow of people peaks in their mid-30s. When coupled with data showing a net outflow of children from London, this may suggest that many people leave London to bring up their children. This highlights the potential importance of London's education system in retaining highly skilled staff. An effective education system for London is important not only for the future skills of London's economy, but for retaining today's skilled employees.

There are other barriers to labour market success, affecting particular groups of Londoners. In London women with child-caring responsibilities seem to face higher barriers in accessing employment opportunities than elsewhere in the UK. As noted in Chapter 2, the employment rate for women with dependent children is more than ten percentage points below the national average. The cost and availability of childcare is an especially important issue here.

The 2002 GLA London Household Survey reported that 18 per cent of women of working age who were not working put this down to an inability to afford childcare. This percentage rose to 28 per cent for lone mothers. Average nursery and childminder costs in London are well above those prevailing in England as a whole (see Table 4.1).

Table 4.1 Typical weekly childcare costs 2005 (£)

	Nursery (under 2)	Nursery (over 2)	Childminder (under 2)	Childminder (over 2)
Inner London	197	175	142	146
Outer London	170	147	151	150
England average	141	132	127	126

Source: Daycare Trust

Similarly the GLA Household Survey showed that 10.5 per cent of women said they were not working because they were unable to find suitable childcare (13.3 per cent for lone mothers). Tackling this issue will not only have short-term effects in helping parents to enter the labour market, but will bring longer-term gains given the benefits which increased access to pre-school education can bring to children.

Some ethnic minority groups are disproportionately represented amongst London's workless. As shown earlier, employment rates for ethnic minority groups are significantly below the London average and that for white people in London.<sup>76</sup> Addressing the relatively poor performance of ethnic minority groups in London would significantly redress the gap between London's employment rate and that for the UK as a whole.



### *Tackling the labour market bottlenecks*

Taking steps to break down the barriers preventing Londoners from playing their full part in their city's economy has to be a priority. One area for action is improving the accessibility of affordable, good quality childcare. Changes to childcare tax credits in April 2005 and 2006 should improve the labour market position of women with children in London by increasing the gains from employment; and more children's centres have been designated in London, helping to increase the supply of childcare. In addition, the London Development Agency (LDA) is working with the Department for Education and Skills (DfES) on measures to improve the affordability of childcare in London. All these measures should help to improve the position of women with children in London over the next few years.

The availability of high-quality education services is an important influence on people's decision to move to and stay in London, as well as being vital for ensuring that London has a continued pool of skilled workers to meet the needs of the economy. This means ensuring London has well-resourced and -managed schools, and measures to address the range of other factors affecting educational attainment. London will face a number of other long-term challenges in raising schools' performances. In summary, they include: problems of teacher recruitment and retention, driven by the rising costs of living; huge population growth; increasing diversity; greater student mobility; and persistent inequality.

London's schools continue to face difficulties in attracting and retaining teachers and support staff, particularly at more senior levels. A higher proportion of posts in the capital are vacant and filled by temporary staff. London also has the highest rates of turnover in staff in the country. Further investment will be needed to build on recent policy initiatives aimed at supporting key workers in London, particularly since the school population is forecast to grow. In 2001 there were ten per cent more school children in London than in 1991, and by 2011 it is expected that there will be six per cent more school children than in 2001.<sup>77</sup>

A significant proportion of London's workless has no qualifications. Against a background of high demand for skilled workers, it is often suggested that retraining is the best approach to enable them to take higher skilled jobs. However, there is little evidence to suggest that public training programmes are particularly effective at moving the workless into jobs.<sup>78</sup> Instead, a more holistic approach to skill formation is required – from pre-school through to university education. There is evidence that differences in skills develop very early in children's lives and become increasingly more expensive to remedy the longer they are left 'untouched'. This emphasises the importance of ensuring that London has an effective pre-school, as well as general, education system.

There is also evidence that job applicants' personal skills, and other characteristics such as motivation and their ability to communicate and to get along with other employees, are at least as important to employers as formal qualifications. This would suggest that programmes directed towards what are frequently called 'soft skills' may be more effective. These may include raising an individual's outward signs of motivation, or helping them to compile a better CV or handle an interview better (which are the means by which individuals can best signal their possession of some of these personal skills). Focusing on enhancing the job-search activity and soft skills of the workless may well be a more cost-effective means of labour market support to the workless than training programmes. London's economy will still provide opportunities for job applicants without formal qualifications, in the leisure and retail sectors, for example; getting the workless into work can be the best foundation on which to develop the skills and abilities needed to move into higher value and higher status jobs.

As we have seen, some groups do worse than others in the labour market. These disparities arise for a range of interacting factors. It is essential, therefore, that policies to address these differences are designed and delivered in ways that reflect this complexity.

Discrimination, including the long-term effects of historical discrimination, is one of the major factors why some groups do less well in the employment market than others. English is a second language for a large number of students, which can be a major barrier to learning, and the increasingly diverse character of the city will place a greater premium on English literacy for both students and their families. The school system will need to be flexible to cope with the increasing mobility of London's students, who will be more likely in future to change between schools or travel further to schools of their choice. The current inequalities in educational attainment are a result of many inter-locking factors, including the high prevalence of child poverty and deprivation in some inner and outer London communities, which prevent many students realising their potential. These will require concerted efforts to overcome.

Tackling the problems of worklessness in London will require addressing the needs and circumstances of those particularly affected, such as members of the ethnic minorities that fare less well in the labour market, women or disabled people. This may mean allowing greater flexibility in delivering national programmes to reflect the particular needs of each group. There may be a need for more programmes aimed at supporting particular groups, or for more mainstream programmes that by tackling, for example, youth unemployment, benefit communities with larger numbers of younger people.

Finally, there are issues relating to the workings of the benefits system which can act as traps for people trying to move into work – particularly in areas of high housing and childcare costs. These can make lower paid employment unviable for many households. Tackling these problems will mean lobbying for changes to the tax and benefits system and working with central and local government, Jobcentre Plus, the voluntary sector and employers to coordinate action to increase awareness and take-up of tax credits.

Tackling the employment bottleneck effectively will mean taking an integrated approach to developing and implementing initiatives that address all the issues mentioned here. The evidence set out above shows the importance of reviewing the training and other policies and projects in this area across London, and identifying the appropriate mix of activities from education, tackling barriers to labour market success, to in-job training.

### The housing bottleneck

A key theme of this report is understanding and addressing the linkage between social and environmental issues and economic success. Nowhere is this more important, perhaps, than in housing. Ensuring enough good quality, affordable homes will:

- help London to attract and retain the workers it needs across all sectors of the economy; this will require not only achieving the right numbers of homes at different levels of affordability, but also social rented accommodation providing real choice, and not merely being the option of last resort.
- improve the health of the workforce; overcrowding and poor quality housing affect sickness levels and, for young people in particular, achievement of education standards.
- support economic development; construction, particularly of new homes, employs a wide cross-section of skills and trades, and home purchases often lead to many others – of white goods, for example.
- support productivity improvements in the construction industry.

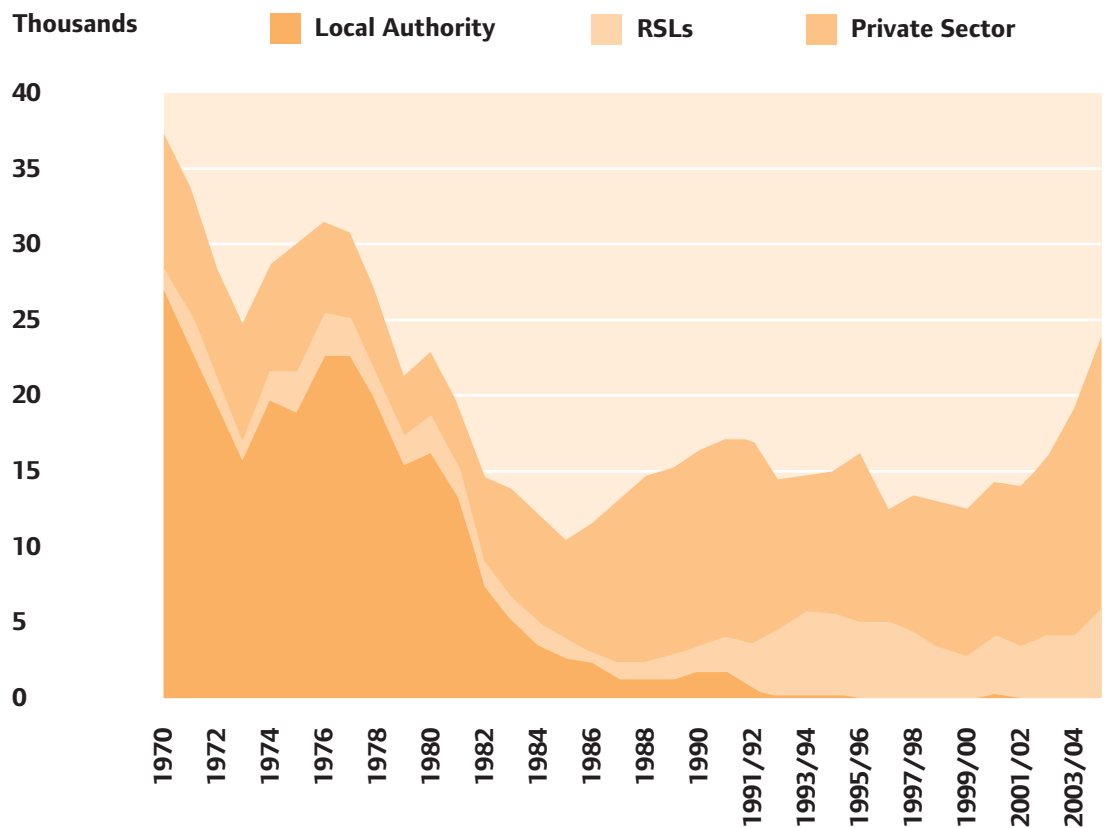
A key challenge will be ensuring there is enough land in the right place, and with the right services and infrastructure, for housing. If the Green Belt and London's other open spaces are to be protected, brownfield sites will be the first priority. This means that there has to be realism about the likelihood of sites formerly used for manufacturing, for example, being reused in their entirety for employment uses alone. *The London Plan* encourages boroughs to manage the protection, release or enhancement of former employment sites. As we have already seen, given the link between population and employment, new housing is not necessarily the enemy of job creation.

If new housing is to form the basis of genuinely sustainable communities, it must be supported by the physical and social infrastructure needed to support them. This need is seen most clearly in London’s major land opportunity for housing, the Thames Gateway. There will have to be a major investment in integrated infrastructure development (particularly in transport) before developers will build there and people will choose to move there, and this major national and regional development priority is achieved.

*Supply*

Overall, new build dwellings have failed to keep up with increasing housing demand in London. This can be attributed to population growth and falling average household size, allied to relatively low house-building programmes.

Figure 4.2 New build housing completions in London



Source: ODPM

The data from the Office of the Deputy Prime Minister shown in Figure 4.2 is complemented by the GLA’s own data. The GLA collects information about completions from borough councils each year. This indicates that total net completions from conventional supply (new build and net gains from conversions) were 25,906 for 2003/4 and 25,619 for 2004/5:

Table 4.2: Net completions from all sources

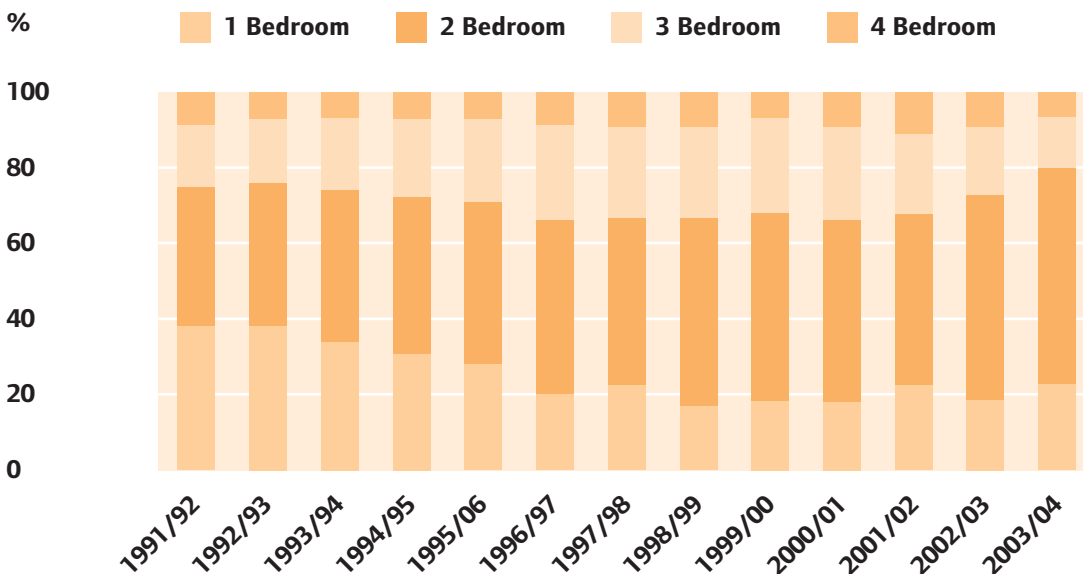
Net housing completions								
1997	1998	1999	2000	2001	2002	2003	2003-4	2004-5
19,998	19,627	17,318	19,850	18,156	21,531	24,431	25,906	25,619

Source: GLA Housing Provision Survey 2004/05

New build figures have started to rise again in the last two years, mainly in the private sector. The target in the London Housing Strategy 2005-2016 is a minimum of 23,000 a year from all sources, and aiming towards 30,000. Most recently, the GLA's 2004 Housing Requirements Study demonstrates a need for around 35,400 new homes a year for ten years, to address the backlog of housing need as well as to meet the demands of growth. The GLA's Housing Capacity Study (August 2005) shows that London has sufficient sites and other opportunities to build 31,000 homes a year for fifteen years; current output from all sources (new build, conversions and non-self contained) is currently running at around 25,000 homes a year.

Recent research has shown that the mix of size of homes is also important. With rising affluence, demand for larger homes is steadily increasing, and there is an urgent need for family-sized affordable housing to tackle overcrowding and to replace the larger council homes sold under the right to buy. Housing completion figures suggest that the proportion of 1- and 2-bedroom homes completed has risen over the last decade, whereas the proportion of 3-bed and larger market homes has fallen. The London Housing Strategy and associated funding programmes are directing resources towards a higher proportion of larger social rented homes in the future.

Figure 4.3 Size of new homes completed in London

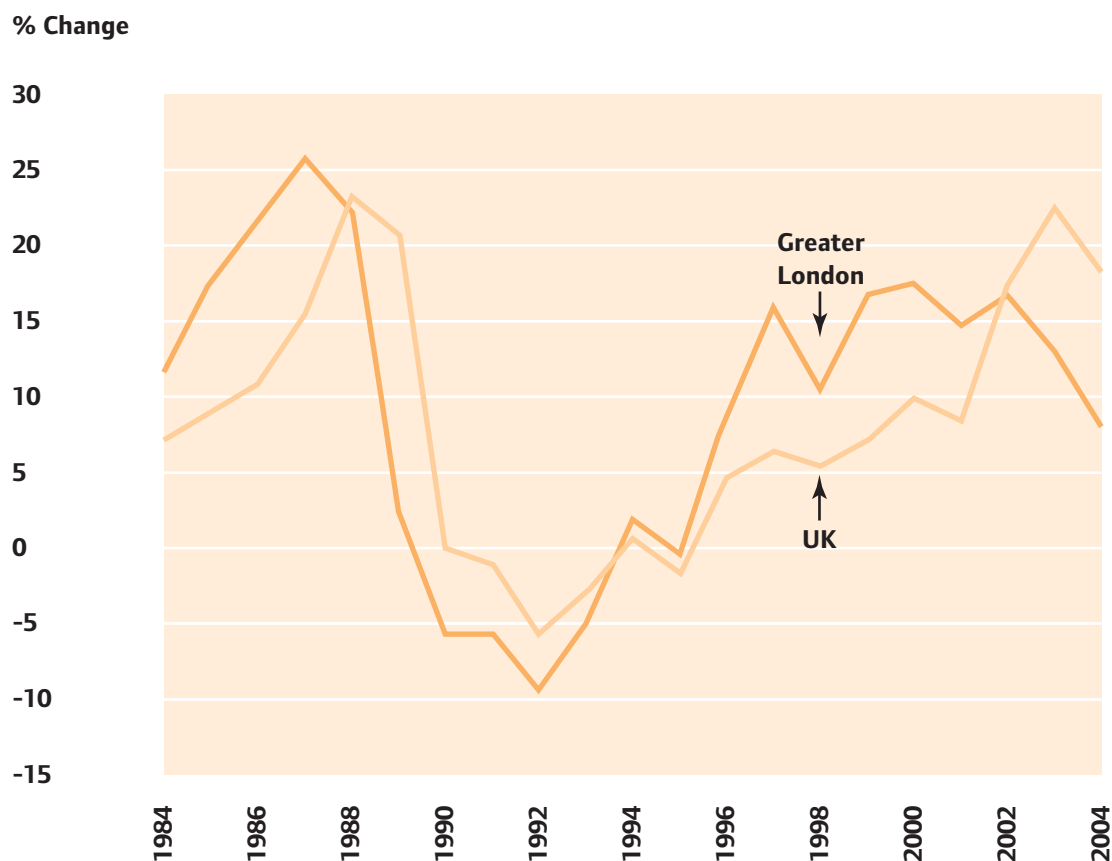


Source: ODPM

*Affordability*

The shortage of supply has impacted directly on the affordability of housing in London. House prices in the UK and London grew extremely quickly between 1996 and 2004. For much of that period, house prices in London grew at a much higher rate than in the rest of the UK. In the last couple of years, house prices in London have not risen as fast as the UK but London still has the highest average house price in UK: according to the ODPM Index, in May 2005 it was £264,505 compared to £182,651 for the UK as a whole.

Figure 4.4 Year on year change in average house prices

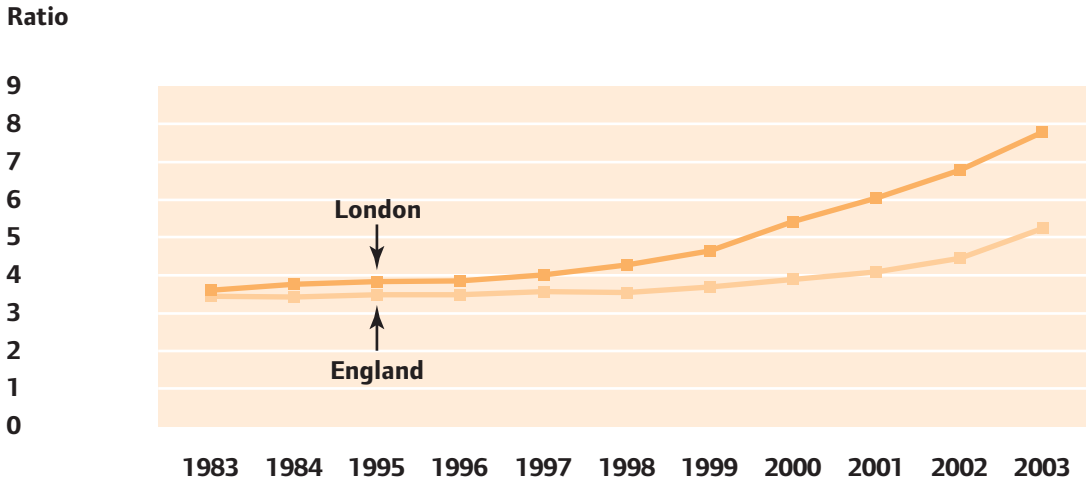


Source: Halifax house price index

This growth in house prices is because of limited supply and growth in incomes and population, compounded by the speculative nature of the house-building industry and, in some cases, planning constraints.

In Figures 4.5 and 4.6, housing affordability is measured as a ratio of house price to earnings. People with low incomes have found houses increasingly unaffordable in London since 1996. The ratio of lower quartile house prices to lower quartile earnings more than doubled from 1993-2003.

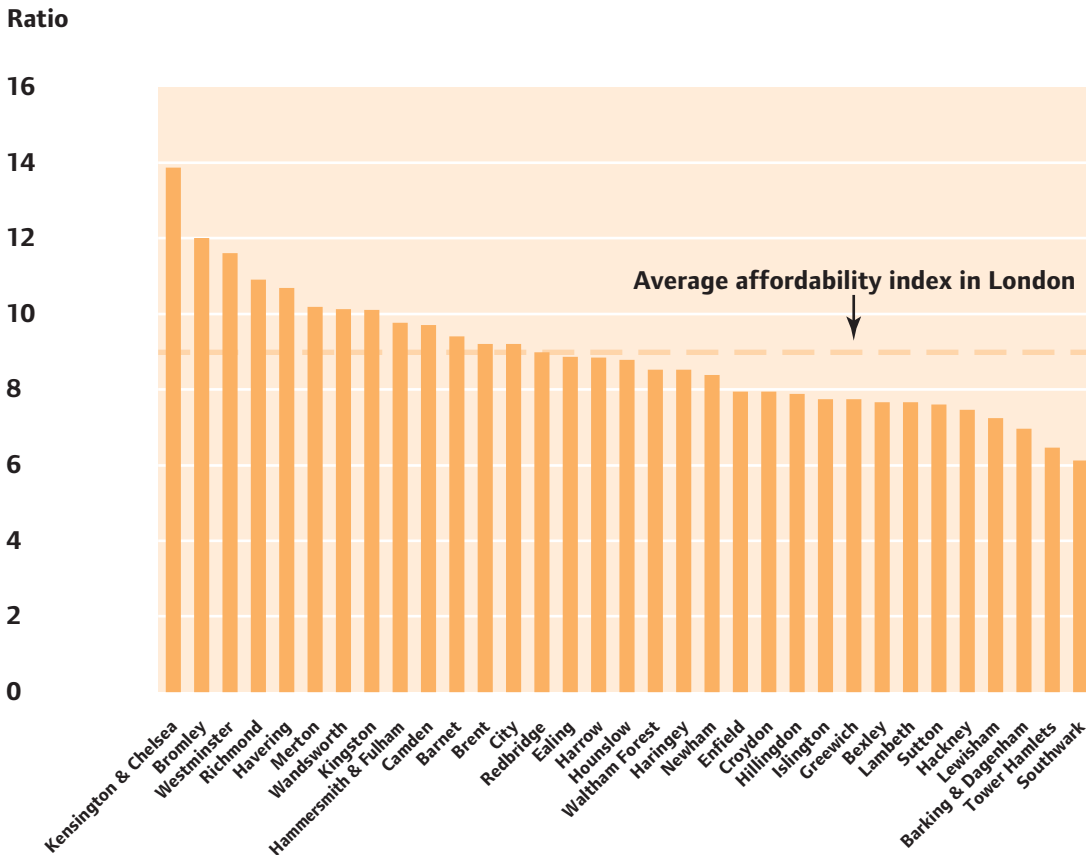
Figure 4.5 Ratio of lower quartile house prices to lower quartile earnings 1993-2003



Source: ODPM

Kensington & Chelsea and Westminster have the least affordable houses on average. However, although boroughs such as Bromley and Havering have lower house prices compared to the high-priced London boroughs, they still have low affordability, mainly because of low household earnings.

Figure 4.6 Lower quartile house price to lower quartile earnings ratio, 2003



Source: ODPM

High house prices have led to serious housing affordability problems, especially for key workers and first time buyers. This can have serious economic and social implications for London, as it further polarises society and reduces employers' ability to recruit and retain skilled workers. Lack of affordable housing has been quoted as one of the most important reasons for people wanting to leave London.<sup>79</sup> Households with families are also increasingly migrating out of London mainly owing to the unmet demand for larger homes. This leads to a drain on London's skill base.

The house price to income ratio can be a misleading indicator of affordability if interest rates are not taken into account. The ratio of average mortgage interest payments to incomes in London actually fell to 30 per cent in 2003 from around 40 per cent in 2000.<sup>80</sup> While the pain of buying higher priced houses has been eased slightly by low interest rates, mortgages have become larger, and lower inflation means the real value of mortgage debt declines less rapidly.

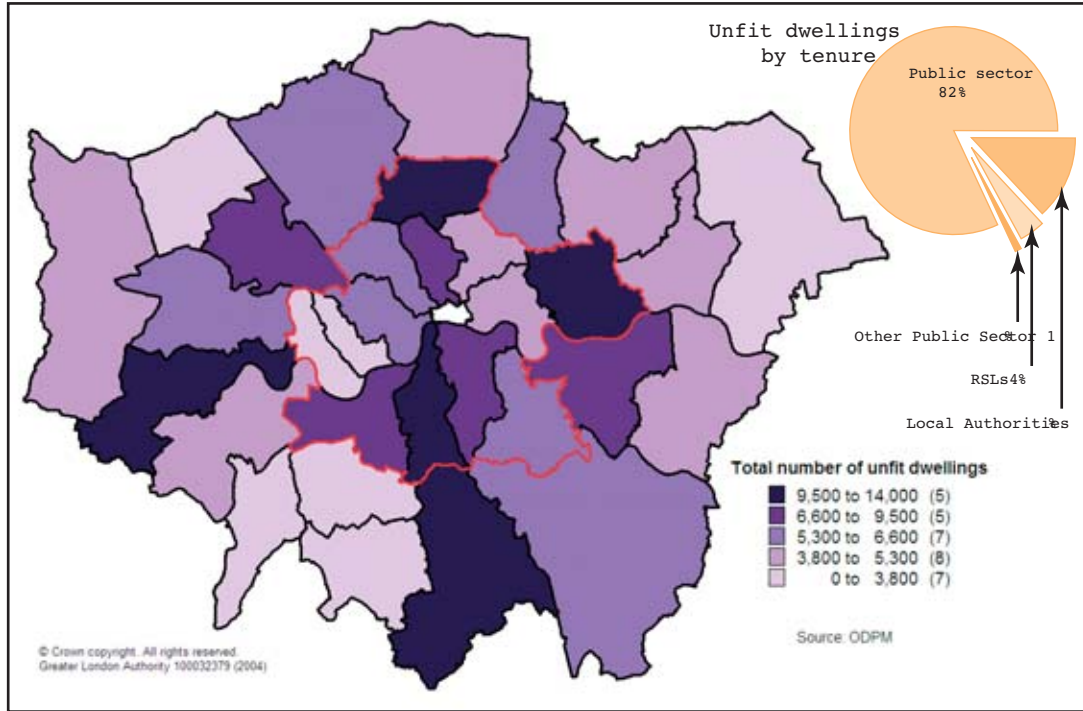
To increase the provision of affordable housing, it is suggested that of *The London Plan* target of 23,000 houses per annum, around 8,000 and 3,500 should be for social and intermediate housing respectively. Affordable housing will be increased by a number of ways, such as the social rented housing programme, key worker living programme, first time buyers initiative, cash incentive schemes and other low cost home ownership schemes. In 2003/04, a high number of households were assisted into affordable housing through the funding of almost 4,000 'Homebuy' purchases of existing homes.

London's housing stock is significantly older than in other regions of England. The average age of properties in London is 66 years compared to 54 years for the rest of England. In London, the provision of decent homes and reduction of overcrowding are the most important quality of life issues related to housing. The quality of homes impacts on the health and productivity of their residents. Nearly one million homes in the capital failed to meet the decent homes standard in 2001. Around 35 per cent of private homes do not meet the decent homes standard in London compared to fewer than 32 per cent nationally.

London also has around 200,000 unfit homes, of which 82 per cent are in the private sector. In Haringey, nearly 15 per cent of homes are deemed unfit, compared to just four per cent in Kingston. However, from 2001-2004, the numbers of unfit private sector, council and Register Social Landlords (RSL) housing fell by 7, 13 and 5 per cent respectively.



Figure 4.7 Number of unfit dwellings



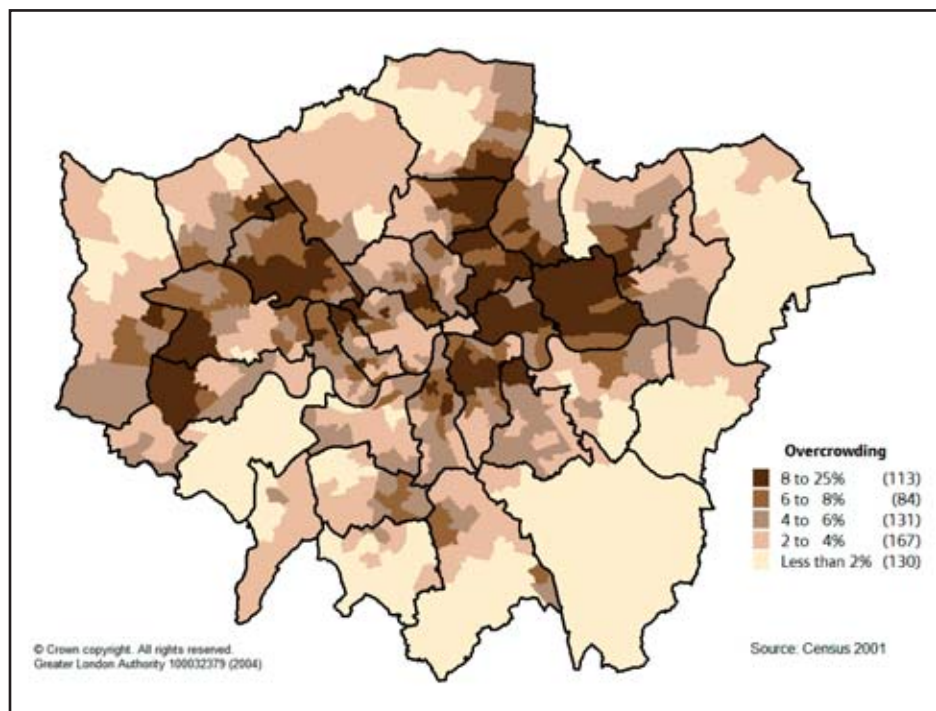
Source: ODPM

Poor housing conditions can lead to a number of health problems. There is a strong relationship between inadequate heating and winter mortality from cardiovascular and respiratory diseases. Houses with dampness and mould are associated with respiratory problems. Poor maintenance, including of electrical and space heating systems, can lead to unsafe homes and increased risk of accidents, carbon monoxide poisoning and fire.

In addition to national targets for decent homes, the London Housing Board has set a target that by 2010 all social housing in London should be decent. It has also set goals to ensure that 70 per cent of vulnerable private sector households live in decent housing by 2010, and 75 per cent by 2020.

One of the key challenges for housing policy in London is to tackle overcrowding. According to the 2001 census, over 150,000 households (five per cent of the total) are now overcrowded<sup>81</sup> and around 61,000 (two per cent) are severely overcrowded.<sup>82</sup> There has been a 20 per cent increase in overcrowding since the 1991 census, reversing a long-term decline.

Figure 4.8 Overcrowding (percentage of households with over one person per room)



Source: Census 2001

Overcrowding exists more in the poorest areas of London and is more common amongst black and minority ethnic households. Overcrowding, like unfit homes, is linked to poor health, anti-social behaviour and low educational attainment.

#### *Tackling the housing bottleneck*

The Barker Review suggested three fiscal measures to increase housing supply and capture future value appreciation: a land value tax (LVT) on land allocated for development in local plans, development gains tax (DGT) and applying VAT to new housing. A LVT would impose a cost on holding land and could be especially useful in developing brownfield land, while DGT is intended to apply to landowners rather than developers and so is not expected to affect house prices. However, these proposals to incentivise development and lead to additional sites being released for housing – generating a receipt to landowners – may well not work in London. This is mainly because sites in London are being held back primarily owing to lack of infrastructure and to planning policy – for example on protection of Green Belt and employment land – and where this is profitable for the developer and landowner.<sup>83</sup> Taxing the landowner is not likely to increase the transfer of sites from other uses, especially where relative gains are fairly marginal and where costs and risks are substantial.

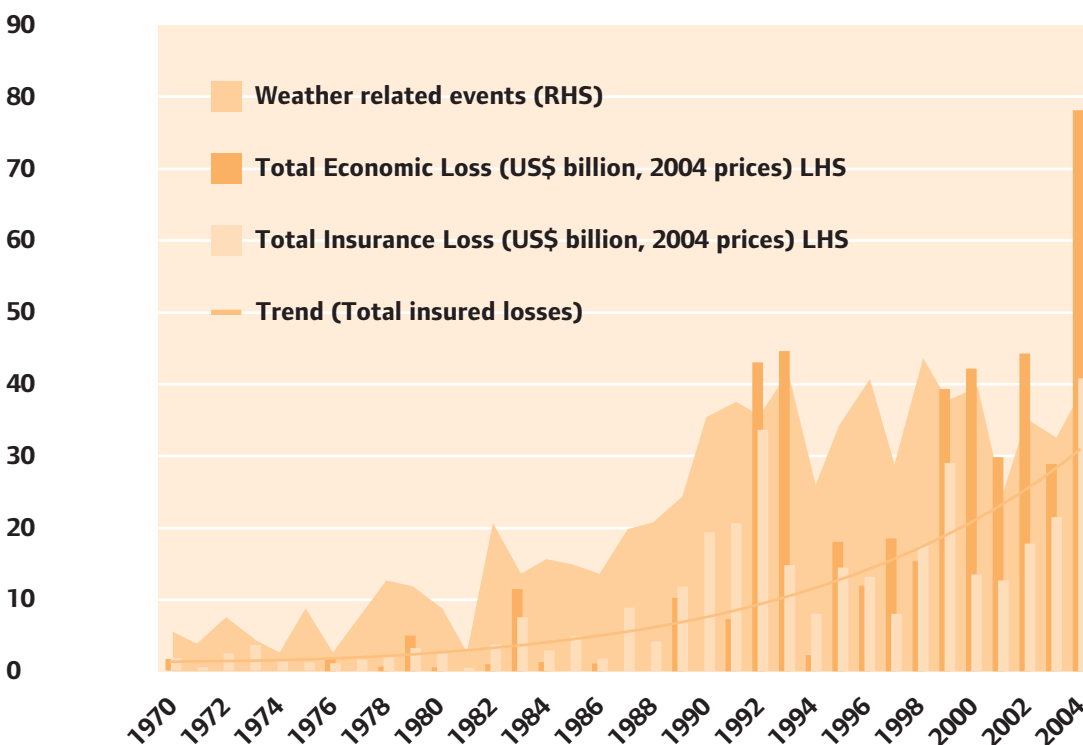
A more concerted effort is required to reform the house building industry. It is widely recognised that the industry is risk-averse and so reluctant to make long-term commitments and to invest in brownfield development.<sup>84</sup> The industry needs to improve its poor record of customer satisfaction, skills, innovation and local acceptance. There are very few players in London, and this lack of competition can be seen as a key determinant in controlling supply and driving up prices. The industry should work to improve local acceptance of new developments by raising design standards and working together with the Commission for Architecture and the Built Environment (CABE).

**The climate change bottleneck**

Climate change can no longer be seen as something that will only concern future generations. Its effects are already being felt, and it is likely that as these increase in intensity they will have major impacts on London's growth and success. These effects are likely to be felt in two ways: directly, as London faces challenges like growing flood risks and their implications for development in key areas of London, and indirectly, as international insurance and other financial institutions based here cope with a growing number of extreme weather events across the globe (see Figure 4.9) and exploit the possibility of their playing a leading role in tackling the problem through steps like emissions trading.

Figure 4.9 Number of extreme weather-related events and economic and insured losses

**Total Economic and Insurance Loss (US\$ billion)**



Source: Sigma database, Swiss Re

### *Potential impact on London*

An increased risk of flooding owing to climate change could lead to damage and disruption of London's transport network as well as its buildings. In the longer term this may require substantial investments to improve ways of managing flooding such as the Thames Barrier. The Thames Barrier, completed twenty years ago, has normally been used 11 times a year, but was closed 24 times in 2001 and 19 times in January 2003 alone.<sup>85</sup> The key policy question for London's economy is who pays for these defences, as the cost of failure could be very high. It is estimated that if just one flood broke through the Thames Barrier it would cost around £30 billion in damage to London.<sup>86</sup>

In addition, London may be particularly sensitive to increases in temperature in the future because of the urban heat island effect.<sup>87</sup> This will contribute to detrimental effects on air quality and increase the amount of electricity used for cooling in the summer months. The heat wave in Europe in 2003 resulted in over 22,000 premature deaths.<sup>88</sup> These kinds of events could become more common in the future.

Water shortages are also forecast to be a critical issue in London. London is one of the driest capital cities in the world. Londoners use approximately 165 litres of water per day, compared to the average for England of 149 litres. On the one hand climate change could reduce the amount of water available (higher temperatures threatening replenishment of water stocks) and on the other increase demand for it in summer.

These environmental problems could affect the quality of life in London. Climate change could affect weather-sensitive sectors such as health and agriculture, with direct links to the insurance industry. This could have further implications in the financial market, affecting investment decisions and pension funds. Households and business decisions could also be affected if insurance premiums increase in London.

Commercial, public and domestic buildings are responsible for 70 per cent of London's carbon dioxide (CO<sub>2</sub>) emissions. London's housing stock is relatively older than the rest of UK, with the most deprived people living in unfit homes or accommodation not meeting decent homes standards. It is more expensive and energy-intensive to heat and cool these properties. Climate change would negatively affect most social deprivation indicators in London. Whilst transport is a growing contributor nationally, the shift from private to public transport achieved in London over the last five years has helped mitigate carbon emissions in London. Carbon reduction is a key reason for continuing to encourage investment in and transfer to more sustainable means of travel.

### *Opportunities through climate change for London*

London is well placed to engage in the climate change agenda through new markets such as emissions trading<sup>89</sup> as well as by taking a lead in new technologies and renewable sources of energy. The City is already using its niche in the financial services market to develop products and services such as underwriting weather risks, financing clean energy technology development, new technology insurance, renewable energy funds, climate-related consulting and advisory services and emissions trading markets. London's financial centre therefore has a significant role to play by making a viable business case for sustained action on climate change. London is increasingly becoming a world centre for corporate social responsibility (CSR) and sustainable development. A high proportion of CSR consultancies are based in London, the London Stock Exchange now has a Corporate Responsibility Exchange for its member companies, and the City is at the forefront of ethical investment.

The energy efficiency of buildings in London is generally quite poor. The government is already tackling energy use in buildings through the revision of the Building Regulations, the Sustainable Buildings code and through the implementation of the Energy Performance Buildings Directive. It is now becoming technically possible to build commercially viable zero-emission buildings. However, London has a high proportion of older housing stock and so there is a huge challenge to be faced in trying either to replace houses or to install more energy-efficient solutions. For example, through the Solar for London initiative, Londoners can apply for grants to help them install solar powered water heating systems. If design codes for buildings in the South East of the UK were upgraded by at least ten per cent, increases in climate-induced damage costs from windstorms could be reduced substantially.<sup>90</sup> A greater commitment is needed to ensure that new development and infrastructure is designed for the climate that Londoners will experience in the future. It is important that houses are designed to be cool in the summer and warm in winters.

### *Addressing climate change*

To ensure that London plays its role in meeting national targets, the Mayor's Energy Strategy aims to reduce CO<sub>2</sub> emissions by 20 per cent from 1990 levels, by 2010, as the crucial first step on a long-term path to a 60 per cent reduction from 2000 levels by 2050. Opportunities exist for developing renewable sources of heat and power across London and purchasing green power generated outside the capital. The Mayor's Energy Strategy has a target to generate at least 665GWh of electricity and 280GWh of heat from up to 40,000 renewable energy schemes by 2010. This would generate enough power for the equivalent of more than 100,000 homes and heat for more than 10,000 homes. The Mayor also intends to double electricity generation from Combined Heat and Power (CHP) in 2000 by 2010. Major redevelopment projects such as Thames Gateway will present significant opportunities for large-scale CHP and wind projects, for example.

Measured steps have to be taken on both mitigation and adaptation strategies to tackle climate change. The London Hydrogen Partnership, launched in April 2002, and the London Energy Partnership have been set up to tackle climate change issues, improve London's air quality and promote London's green economy.<sup>91</sup> More recently, the Climate Change Agency, which was launched in July 2005, will provide a delivery mechanism to implement these new initiatives on the ground. The Climate Change Agency's main goals will be to facilitate the development and implementation of low- and zero-carbon projects. The agency intends to undertake all these measures through both new technological developments and retrofit projects, in order to catalyse markets for renewable energy in London.

On the other hand, since some impacts of climate change are inevitable, adaptation measures such as increased flood defences are necessary. In the UK, around £800 million per year is spent on flood and coastal defences and even with these the UK experiences an average of £1.4 billion worth of damage per year.<sup>92</sup> Engineering and construction costs are expected to increase with increase in flood risks. It is estimated that in 20 years, the annual flood engineering and construction cost would be between £700 million and £1.1 billion, compared to £500 million today.<sup>93</sup> London is potentially exposed to a far greater risk from flooding than any other urban area in the UK. This is owing to the value of its assets and the fact that it lies within the flood plain of the River Thames. The government has designated the Thames Gateway as one of the main growth areas to address housing shortages in the south east. The total asset value of new residential and commercial properties within the Thames Gateway is estimated to be around £19 billion. This represents a 15 per cent increase in flood exposure in London over the £126 billion worth of assets currently at risk in the Thames floodplain.<sup>94</sup> The financial cost of flooding across the new development area in the Thames Gateway is estimated to be around £17.7 million for residential properties and £29.4 million for commercial properties.<sup>95</sup>

### The infrastructure bottleneck

A complex modern city whose success is based on high productivity and creativity needs a range of supporting infrastructure, whether transport, social or cultural facilities or premises for particular parts of the economy.

#### *Transport Infrastructure*

Communication and movement are integral to London. London has developed its national and international importance because it has brought people together, and enabled them to have easy access to each other and the range of opportunities and experiences the city can provide. London's transport network will need to meet the challenge of increased demand for travel caused by forecast growth in the economy, population and employment. The scale and spatial pattern of growth will lead to increased pressure on many parts of the transport system over longer periods of the day.

Transport is critical to the city's sustained success. Not only does its economy depend on the effective movement of goods and people around the city, but a successful urban community depends on people in all parts of the city having the ability to access the facilities and opportunities they need. No London neighbourhood will ever be entirely self-contained, and provide everything local people need locally; rather as part of a great and diverse world city, each has to be outward looking, able to access the benefits this confers. It is only in this way that all parts of London will be able to generate the economic activity, the jobs and other opportunities they need to support their local communities. The transport system, therefore, plays a crucial role in sustaining London's economic and social vitality. Lack of suitable and accessible transport can impede or even prevent economic and social development, and will also have high environmental costs.

There are a number of ways transport can create bottlenecks. GLA Economics has shown that the greater the accessibility of a place (the number of jobs and people that can be reached from a given place within a certain amount of time), the more jobs and people there tend to be there. This is one reason for the differences between boroughs in west London, with higher levels of accessibility, and those in the east, which currently have lower levels.

Problems can also arise where infrastructure and services exist, but do not have the capacity to meet need. Congestion is a serious issue across significant sections of the Underground and National Rail network. On the roads, the Congestion Charge scheme has reduced congestion within the charging zone, and the proposed western extension will extend the area benefiting from reduced traffic, but congestion levels across London remain high, and are growing in some areas (such as outer London town centres) and at weekends.

The road freight industry suffers high costs owing to the impacts of road congestion and of the decreasing availability of kerb space for deliveries. There are trends towards increasing use of smaller goods vehicles to meet more stringent customer expectations and in response to increasing restrictions on larger vehicles, which will in turn increase pressure on distribution facilities.

For rail freight, growing competition for use of track from passenger services is a major constraint. Another issue is securing sufficient suitably located land for rail freight depots, which will usually involve interchange facilities with road and sometimes water transport.

A programme of schemes and investment has been drawn up to help tackle this range of transport issues. Part of this work centres on ensuring the best and most efficient use of existing systems – in the last five years, there has been an expansion in the quality and capacity of the public transport system through transformation of the bus network, leading to a rise in weekday ridership from 3.5 million in 1999 to six million in 2005. For the future, the planned investment in Underground stations and networks should significantly improve the quality and capacity of the system. There are also opportunities to make more efficient use of mainline railways in London through a systematic programme of improvements and better integration with the rest of London's transport network, which the Mayor is keen to take forward if given the necessary powers and funding support by the government.

But making the best of what we have will not tackle the two fundamental problems. Unless capacity shortfalls across London are addressed, its success will be put in very real danger. Demand on public transport in the morning peak period in central London will continue to increase. The major public transport projects either under construction or actively planned for implementation will increase central area public transport capacity from 67,697 to 82,382 passenger capacity kilometres. Additional public transport capacity, for example in the form of additional regional metro type lines and services over and above this will be needed .

This is why the Crossrail project, currently seeking Parliamentary powers, is so important. The scheme will provide the essential additional capacity through the City, West End, Canary Wharf and westwards to Heathrow Airport to sustain the continued success of the financial and business services concentration in central London, support strategic regeneration priorities like City East, and help rejuvenate the West End. If it does not proceed, the things that make London a world city – things that benefit the country as a whole as well as London and Londoners – will be put at risk. And after implementation of Crossrail, continuing population and job growth in London is likely to require further major schemes and initiatives to be brought forward to ensure sufficient capacity is available to support London's needs.



Other projects are focused on improving accessibility. Some of these are aimed at addressing the currently relatively low accessibility of much of east London, particularly in the Thames Gateway. Phase 1 of the East London Line, scheduled for completion in 2010, will significantly enhance the accessibility of inner east London and improve the capacity of the inner orbital network. Transport for London has developed a package of road, rail and other public transport river crossings to reduce the barrier effect of the River Thames, improve local accessibility and assist regeneration. In addition to the wholly public transport schemes providing cross-river capacity, notably Crossrail and the DLR extension beyond London City Airport to Woolwich, the road/public transport Thames Gateway Bridge is being taken forward, and is planned to be followed by work on the Silvertown link. Tolls will be used on the Thames Gateway Bridge to manage traffic demand, particularly by longer-distance traffic, as well as to help finance the Bridge. The DLR is being extended up to Stratford, taking over the low frequency service on the eastern part of the North London Line. A new local public transport transit network – the Thames Gateway Transit – will link key town centres north and south of the river across the Bridge.

Thameslink 2000, scheduled for completion on a phased basis by 2012, will serve a north-south axis allowing more through services and longer trains, with connections to Gatwick and Luton airports, an interchange with Crossrail at Farringdon and the Channel Tunnel Rail Link international and domestic services at Kings Cross/St Pancras. A public inquiry to seek powers to proceed with the scheme started in September 2005

In other parts of London, tram schemes are planned running along the Uxbridge Road in west London, joining inner south east London through central London to Kings Cross and potentially beyond, and extending Croydon Tramlink in south London.

These infrastructure improvements are complemented by better transport integration through smart card ticketing, which offers improved convenience as well as opportunities for a more flexible fare structure and improvements to interchange.

The close links between transport, the environment and economic development mean that it is important to integrate policy-making in all these areas. That is why policies have been put in place to support enhancements to the capacity and quality of the public transport network; ensure development generating significant numbers of trips is located in areas where there is existing good public transport accessibility and sufficient capacity, or are phased in line with planned improvements to the network; and ensure appropriate management of growth in travel demand, particularly for road traffic, through measures like the Congestion Charge.

### *Water, waste and utilities*

There are other forms of infrastructure that are needed to sustain and develop London's economic success. London's people and businesses need safe, sustainable and secure delivery of key utilities like energy, water and the collection and disposal of waste. Without them, it will be impossible to meet the challenge of growth and to realise the ambitions for the future success and development of London. As we have seen in the recent past, failure to invest in basic infrastructure will undermine the competitiveness and economic success of our city.

It will be important to ensure that investment needs are identified and met in pace with building. To support development of the Royal Docks, for example, it is likely that enhancement of the capacity of two electricity substations, with new cabling, will be needed. As with all London's resources, it will also be essential to make sure that energy and water are used as efficiently as possible, and that waste is minimised; as well as addressing the city's impact on the environment, this will help ensure that new and existing infrastructure are used efficiently. Finally, new infrastructure needs are likely to arise from developments like climate change – which will raise new challenges in developing the heating and cooling networks required to deliver low carbon solutions on the scale required, and in flood prevention, for example.

The commercial and regulatory frameworks within which the utilities now function make long-term planning – to promote effective conservation and recycling, to reduce demands on infrastructure, to ensure delivery of the new infrastructure that is required, and to assess and address the additional demands made by new development – more difficult. Between now and 2025 decisions will have to be taken about coordination and delivery of basic utilities, and how they can be most effectively managed.

### *Retail*

Retailing plays a vital part in London's economy. It employs over 400,000 people, making it the third largest sector in London's economy. It supports the economic vitality of all parts of the city, with over 40,000 shops in London; in particular, a successful retail sector is crucial to ensuring the vitality and viability of the capital's network of 1300 town centres. It plays an important part in the range of experience London can offer visitors from outside the city, who in 2001 spent around £4.2 billion in the capital's shops. Finally, retail provides an essential service to all Londoners, as the primary route for accessing the things needed for everyday life. Against a background making for a high cost base for those living and doing business in London, a retail sector able to provide real choice for all Londoners at affordable prices is essential.

Looking forward, it is likely that the retail sector will be increasingly important. Retail employment is projected to grow by 52,000 between 2005 and 2025, playing an important part in providing opportunities for London's growing working age population. A growing population and increasing prosperity are likely to lead to a significant increase in the floorspace needed for comparison (ie non-food and drink) retailing, with around an extra million square metres required by 2016, even after completion of major retail schemes like White City and the extension of Brent Cross. While any expansion of food retailing is likely to be more modest, there will be a need for further provision as London's economic and social geography changes, and to meet shifting patterns of demand and lifestyles. Policymakers already view retail as an important tool to influence sustainable patterns of development and transport choices. The need for a competitive and innovative retail sector that provides wide and real choice for the entire community is likely to be as important as ever.

Delivering this objective will require a supportive policy framework. Retail policy is often viewed in terms of the environmental and social benefits which suitably located shopping can encourage, and this is clearly important; however, the need to ensure a vibrant retail sector if these benefits are to be realised is sometimes overlooked. There is evidence that retailing in the United Kingdom is less productive than its counterparts overseas; in an environment like London's, where the emphasis has to be on ever more efficient use of scarce resources and driving down the cost base, this is an issue that has to be addressed.

In doing this, it will be important to ensure that sufficient land for retail uses meeting the needs and demands of operators and shoppers is available in appropriate locations. The development and implementation of policy should be reviewed in order to ensure that potential new entrants to the market are not unnecessarily deterred, and competition inhibited. In addition, there needs to be greater awareness of the economic consequences of policies and decisions about the location or size of shops, and the effects these can have on the choice and cost to the customer, and the efficiency and innovativeness with which retailers can operate. Finally, the problems some parts of the community have in accessing retail facilities meeting their needs must be understood and addressed. As well as addressing the economic realities, retail needs a high quality environment if it is to thrive anywhere. Measures like town centre management and business improvement districts can help deliver this.

The planning framework for retail is set out in *The London Plan*. But as important as the policies themselves is the way they are applied at local level, where decisions crucially affecting the success of the retail sector are often made. It will be important that both policy-making and implementation take account of the economic realities that determine the success of the retail sector.

### The quality of life bottleneck

A successful city based on high productivity and creativity needs a high value environment and the ability to support a good quality of life for everyone living, working or visiting there. There are several ways in which London is either failing to provide these, or is at risk of falling behind. Addressing these will be important to ensuring London attracts and retains both the highly skilled people its developing sectors and public services need and the kind of high value enterprise on which its economy depends. While some individuals may want and be willing to pay for improved environmental quality themselves given rising personal incomes, guaranteeing a good standard of life for everyone will demand action by the public sector.

In addressing these challenges, there are some common factors that have to be taken into account. London's future will be increasingly diverse, which brings with it both an extraordinary cultural opportunity and many challenges – the need to ensure high standards of English literacy for example. London's growth will increasingly put pressure on services and public amenities, such as parks and open spaces, while, as society becomes richer, such amenities are likely to be valued ever more highly. Provision for new public spaces will therefore be required, not despite, but because of the pressure for new housing.

### Health

A modern, efficient healthcare system provides a vital backdrop for Londoners' quality of life, is essential in individuals' times of need, allows people to realise their potential, and provides assurance to the friends and families of those who require treatment. The capital is a national and international centre for medical excellence. In addition to excellent healthcare, good public health is crucial to the overall quality of life, and prevention is likely to continue to be more cost-effective than cure.

The health of London appears to be improving on some key indicators. Average life expectancy has increased in recent years to come in line with the national average, and the infant mortality rate has fallen, also in line with the national average, from 7.3 infant deaths per 1,000 live births in 1990/92 to 5.7 in 2000/02. The 2001 Census also found that slightly more Londoners assessed their own health as being good than in the rest of England.<sup>96</sup> However, on other health measures, further progress is needed. London has much higher levels of tuberculosis, HIV/AIDS and mental illness than the rest of the country.<sup>97</sup>

London is, however, a city of great health inequalities. The health divide between the most affluent and deprived communities has widened over the past 10 to 15 years, with life expectancy and infant mortality rates varying significantly between different parts of the capital.<sup>98</sup> There are inequalities in the determinants of health (for example education), in access to health care (particularly for black and minority ethnic communities) and in health outcomes. The parts of London with the poorest health closely match London's poorest (mainly inner London) communities, where negative determinants of health such as unemployment, poor education, crime and poor housing are more prevalent. Ethnic minority groups, particularly the Bangladeshi population, also suffer from poorer health than the white population.<sup>99</sup>

A key challenge in raising the health of Londoners and in tackling health inequalities is that a number of the negative determinants of health are more prevalent in London than in other parts of the country. London has some of the poorest communities and the largest concentration of child poverty in the UK. Unemployment also remains above the national average, and there are high rates of substance misuse, homelessness and rough sleeping, pollution and crime and disorder.<sup>100</sup>

The recruitment and retention of workers has become a long-standing problem for the healthcare sector in London, which also suffers from higher levels of staff turnover, high vacancy rates and the extensive use of temporary and agency staff. The high cost of living in London, particularly of housing, is a key barrier to attracting and retaining healthcare staff and other key workers.<sup>101</sup> Research undertaken jointly by the Mayor and the London Assembly<sup>102</sup> has identified that London is suffering from a particular shortfall in primary care staff – dentists, GPs, health visitors, high street chemists and opticians (both clinical staff and supporting roles). GP list sizes in London are above the national average, and significantly so in some boroughs (by around 20-30 per cent). The same research also concluded that primary care may be failing some vulnerable groups and is in need of significant investment. This comes at a time of a broader shift in healthcare from the acute sector to the primary sector.

A number of national and regional health reforms and initiatives are under way aimed at improving the health of London. The government is committed to increasing spending on health as a percentage of national GDP to 9.4 per cent by 2007/08. The NHS is undergoing a period of reform and modernisation, including a major investment programme of around £2.5 billion on hospitals across London. The Local Implementation Finance Trusts (LIFT) initiative is also aimed at improving primary care premises, particularly in areas of deprivation.<sup>103</sup> Initiatives such as National Health Service (NHS) Direct and NHS Walk-in Centres have also been introduced to improve access to healthcare services and in 2003 the Department of Health launched *Tackling Health Inequalities: a programme for action*.<sup>104</sup>

Developing a world-class healthcare service for London will require significant investment to improve the capacity and quality of the service, at a city-wide and neighbourhood level. This will include initiatives and policies aimed at assisting the recruitment and retention of staff. Improving access to services in deprived areas will contribute to raising standards at a neighbourhood level and to narrowing health inequalities. Public health issues – including sexual health, smoking, diet and exercise – are likely to remain the major determinants of health status. Raising the performance of the health of London in the future will require holistic approaches, with more physical activity, better diet, less smoking and more responsible sexual behaviour. The diversity and dynamism of London's population is likely to present new challenges to the sector, for example in understanding the health needs of different communities, overcoming language barriers, and providing preferred points of entry.

#### *Public safety and crime*

Everyone wants to feel safe and secure in their local communities, on public transport and at their places of work and leisure. Public safety is a major influence on people's actual and perceived quality of life, and has significant economic and social costs. The Commissioner of the Metropolitan Police Service has set out his ambition to make London the safest major city in the world.

However, the current position starkly demonstrates how much progress is required to fulfil this ambition. Using Home Office data for recorded crimes only, it has been estimated that the cost of crime to London in 2002/03 was around £5.9 billion. A sustained increase in crime, particularly violent and terrorist-related crime, could adversely impact on London's ability to retain and attract people of the highest calibre, threaten London's status as a premier world-class tourist destination, and reduce business confidence and investment decisions.

Progress has been made. Since its peak in the mid-1990s, the British Crime Survey (BCS) crime rate for England and Wales has fallen by 44 per cent, with sharp falls in the number of burglaries, vehicle and violent crime.<sup>105</sup> London has shared in some of the overall reduction in crime, with the burglary rate now at one of its lowest levels ever. However, London remains a high crime area. According to the 2004/05 BCS, the capital has the highest personal victimisation rate of any UK region, and 44 per cent of robberies in 2004/05 took place in London. The survey also found that a much higher proportion of Londoners perceived there to be high levels of anti-social behaviour in their local area than the national average (29 per cent compared with 17 per cent).<sup>106</sup>

Crimes recorded by the police are also showing a downward trend. However, in 2004-05, London had the highest rate of total recorded crime of any region in England and the highest rates of violence against the person, robbery, theft and handling of stolen goods, theft of and from motor vehicles and drug offences.<sup>107</sup> It has been estimated that perhaps one quarter of the 280,000-500,000 Class A problem drug users in England and Wales live in the capital. Research undertaken by the GLA estimates that the economic costs of problem drug use in London is at least £725 million, and the total economic and social costs over £2.5 billion.<sup>108</sup>

Criminal activity in London is also changing. The capital's openness to the world, and its position at the forefront of global economic and social change means that it faces new and changing risks all the time. The events of July 2005 have shown once again that London is a target for UK and international terrorists, whose actions have the potential to cause significant social and economic costs in addition to great human suffering. Responsible agencies in London are also having to respond to the growth in newer types of crime such as theft, internet fraud, child pornography, intellectual property theft and people trafficking.<sup>109</sup> Although these crimes are currently smaller in number, they require different styles of policing. The expansion of the European Union is also likely to mean a steadily increasing mobility of people, goods and services in London.

London's changing population will also present issues for public safety and policing, since the Metropolitan Police has stated that it is more difficult and resource-intensive to police more diverse, young and shifting populations. New communities developed to house London's growing population will also need to be safe and secure to be truly sustainable and successful. Over the timescale of the revised London Plan, long term preventative measures need to be developed and implemented, including ensuring that children are given the best start in life (including, for instance, better parenting, which government can encourage), more activities for children and jobs for young people, and still greater understanding of and better cohesion between different communities.

The task of making London the safest major city in the world is a challenging one. Overall, the costs of crime in London are 55 per cent higher than in the rest of England because of higher labour costs, the presence of organised criminals, the heterogeneity and dynamism of the population and the additional costs of policing demonstrations and large events.<sup>110</sup> The costs of crime also disproportionately affect some Londoners more than others; particularly those who live in deprived areas, black and ethnic minority groups, women and homeless people. London's capital city status also makes policing more complex and expensive, with the need to protect national government, the economic sectors that drive London's world city status, and guarding against the risk of terrorism, all without diverting resources and attention away from the more mainstream policing a major urban area requires.

A number of major crime initiatives have been launched nationally and in London to reduce crime and the fear of crime. The Safer Neighbourhoods Initiative is central to the drive for a more citizen-focused and community-based style of policing in London, with 160 new teams expected to come forward in 2005/06. The initiative forms part of the MPS Step Change Programme, which aims to increase the number of uniformed officers in London to 35,000, a 10,000 increase on 2000-01.<sup>111</sup> The Mayor and the Metropolitan Police are seeking to roll out Safer Neighbourhood Teams in all 624 wards by the end of 2006/07.

For the future, the events of July 2005 have shown that London needs the policing and other community safety resources to tackle new threats and challenges without cutting back in other areas. London's economic success could be threatened unless it receives the funding and other support needed to keep its people and enterprises safe from terrorism and other forms of crime.

#### *Air quality*

London produces a considerable amount of atmospheric pollutants that affect human health and plant life. Children and older people with lung and heart conditions are particularly vulnerable. Road transport and industry are responsible for most pollutants such as nitrogen oxides (NO<sub>x</sub>), particulate matters (PM<sub>10</sub>) and sulphur dioxide (SO<sub>2</sub>). Industrial emissions are generally released at greater heights and are able to disperse more easily than ground emission released by cars. However, vehicular emissions get concentrated closer to the ground as a result of buildings and narrow streets. The high concentration of pollutants greatly increases its health impact on people.

According to the 2004 MORI Annual London Survey, 46 per cent considered reducing pollution from road traffic and 40 per cent considered improving air quality as one of their top two or three priorities for improving the quality of the environment in London. Harmful air pollutants are monitored by the London Air Quality Network (LAQN) and compared to the National Air Quality Objectives, which represent the government's targets for improving air quality in the medium term. In 2002, the annual mean objective for nitrogen dioxide (NO<sub>2</sub>) was not met at a majority of kerbside and roadside sites. The PM<sub>10</sub> incident-based objective was exceeded at 11 sites and the annual mean objective for PM<sub>10</sub> was exceeded at three sites in London. However, nitrogen oxides (NO<sub>x</sub>) and carbon monoxide (CO) concentrations declined by 33 per cent and 53 per cent respectively between 1996 and 2003.



A mix of behavioural and technological changes is required to improve London's air quality, including:

- less traffic and a shift away from cars in favour of public transport, cycling and walking.
- the use of particulate traps and other technological advances for vehicles.
- reduced traffic congestion (more PM10 is emitted at low stop-start speeds).
- improved measures to reduce emissions from construction activity.

The Mayor's Air Quality strategy provides more details on the various units and partnerships that have been set up, such as the London Hydrogen Partnership and the Air Pollution Research in London (APRIL) network, to achieve targets set out in the strategy. Congestion charging and the proposed Low Emission Zone (LEZ) would also help to improve London's air quality.

### Noise

Noise is an important quality of life indicator. It is a source of annoyance and disrupts communication and sleep. According to the 2004 MORI Annual London Survey, 37 per cent considered noise a problem affecting the quality of London's environment. Eighteen per cent of the respondents also considered noise as one of their top two or three priorities for improving the quality of the environment in London. Traffic noise is the most serious noise issue. The GLA London Household Survey 2002 found that 13 per cent of respondents rated noise from road traffic where they lived a 'serious problem'.

Noise is an inescapable fact of life but steps can be taken to reduce it. Even though technology to reduce noise by trains, cars and buses and planes has constantly been improving, the sheer growth in numbers masks any fall in noise levels per vehicle. A number of measures are required to make improvements:

- good noise-reducing surfaces across roads
- encouraging the development and use of quieter vehicles
- better planning and design of new housing and offices to reduce noise.

### Future bottlenecks

This chapter has focused on a number of issues that are constraining London's sustained success, or which show signs of doing so in the short-term. There is also a range of longer-term challenges that will need addressing – the implications of reducing availability of oil and the need to switch to alternative sources of energy, for example. These will need considerable investment in money and ingenuity; as with many of the challenges described in this chapter, it is unlikely that national (and perhaps global) policy priorities in these emerging issues can be met unless the situation in London is addressed.

### Ensuring quality for all

Many of these issues are experienced in particular ways by different communities and groups within London:

#### *Black and minority ethnic groups*

Black and Asian-owned businesses are important to London's economy. Asian-owned firms provide around 300,000 jobs to the London economy. The total turnover of Asian-owned firms in London was around £60 billion in 2003/4.<sup>112</sup> Black-owned businesses are also a vibrant part of London's diversity, providing a valuable contribution to London's economy. They have a total annual turnover of almost £4.5 billion, providing approximately 70,000 jobs (three per cent of London's total).<sup>113</sup>

However, there is much variation within and between different ethnic groups in London. Generally, people from minority ethnic communities are more likely than others to live in deprived areas and in poor quality and overcrowded housing. They are more likely to be poor and to be unemployed, and have lower levels of educational achievement. This lack of opportunities is reflected in over- representation of black and minority ethnic individuals in prison – 45 per cent of prisoners released from London prisons were from black and minority ethnic groups.<sup>114</sup>

The cost of housing in London often prohibits families from being able to access the type or size of accommodation required, and hence overcrowding and poor housing conditions can be a particular problem for these communities.<sup>115</sup>

Many black and minority ethnic individuals and groups are also prevented from enjoying life to the full because of fear of crime and racial abuse. Discrimination in London's labour market remains a problem for people of ethnic minority origins.<sup>116</sup>

Some progress has been made towards reducing these inequalities. For example, British-born people from ethnic minorities have made progress in terms of earnings and access to professional/managerial jobs. It is in reducing worklessness that least progress has been made.

### *Migrants*

42 per cent of the UK's migrant population lives in London. In comparison London accounts for 12 per cent of the total UK population. Around two million Londoners were born outside the UK, 29 per cent of London's population. London attracts migrants from all over the world. In 2001, 42 different countries had migrant communities of over 10,000 living in London. Thirty per cent of London's migrants are from high-income countries, and 70 per cent are from developing countries. The age structure of migrants is skewed towards those of working age group so that they comprise 35 per cent of London's working age population.

In general migrants have significantly lower employment rates (65 per cent) than UK-born Londoners (78 per cent). However there is great variation between migrants from different countries. Migrants from the high-income countries have higher employment rates (75 per cent) and they have a strong skew towards professional and managerial occupations. In contrast, Londoners born in developing countries have low employment rates (61 per cent) and tend to be over-represented in lower paid occupational groups. Employment rates range from 86 per cent for those born in Australia down to 16 per cent for Somalis. White migrants have a higher employment rate (73 per cent) than the migrants from black and minority ethnic groups (61 per cent).

Overall, migrant Londoners have poorer labour market outcomes than UK-born Londoners. However, within the migrant population there is enormous diversity and polarization in outcomes.

### *Refugees and asylum seekers*

Within the overall migrant population, a substantial minority are refugees and asylum seekers. After very significant growth in their numbers from the mid-1990s, the rate of increase slowed sharply after 2002. The GLA estimates however that London continues to receive some 40-50 per cent of new UK asylum applicants, despite the government's dispersal system.

Refugees and asylum seekers are some of the most vulnerable and socially excluded people in the capital. The barriers facing them coincide with those faced by non-refugee black and minority ethnic Londoners, but they also have distinct needs that present specific challenges. The need for access to both temporary and permanent affordable accommodation is an overwhelming concern for them. Many have particular health needs, and report difficulty in accessing basic primary health care. Their communities typically show exceptionally high rates of long-term worklessness.

### *Disabled people*

Disabled people continue to be excluded from many mainstream activities that other Londoners take for granted. All too often, the design of the built environment and transport either ignores the needs of disabled people and creates barriers to inclusion or provides access in a segregated and separate way, making disabled people unnecessarily dependent on others. Inability to access many of London's opportunities restricts the independence of disabled people and means that instances of poverty, social exclusion and isolation among disabled people is higher than average. In 2004, disabled people were more than twice as likely to be workless as non-disabled people (57 per cent compared to 26 per cent). Disabled people are also more likely to live in unsuitable or inaccessible housing without essential amenities.

### *Lesbian, gay, bisexual and transgender people*

London is home to Europe's largest lesbian, gay, bisexual and transgender (LGBT) population, the largest in Europe. It is estimated that LGBT people make up ten per cent of London's population. Migration to London has long been an option, and often a necessity, for LGBT people. They migrate for a variety of reasons: to avoid the stigma attached to being LGBT in their home community, to seek out more people like themselves, a sense of anonymity in big cities, a place to reinvent themselves or to create 'alternative families', and to shed the oppressive values of their earlier lives and backgrounds.

Following the introduction of the Employment Equality (Sexual Orientation) Regulations in December 2003, lesbian, gay and bisexual workers are legally protected from discrimination and harassment at work. Despite the introduction of this protective legislation, many lesbians and gay men remain reluctant to reveal their sexual orientation in the workplace for fear of continued discrimination. Research<sup>117</sup> shows that homophobic crime in London is widespread and that official records of homophobic crime incidence are not adequate. Additionally, there is currently no legal protection for LGBT people against discrimination in the provision of a range of important services such as insurance.

### *Older people*

Older people contribute to the wealth of London's society through sharing their experience and skills, through work, volunteering and their role in extended families. While many people naturally seek to leave the city when they no longer need to live there for work reasons, research suggests that many pensioners would prefer to stay but feel they cannot do so. One of the reasons cited is that older people are disproportionately affected by housing of low quality and often feel that social and health care does not meet their needs. Many older people would be more predisposed to remain in London after retirement if London's environmental quality was higher, and the provision of basic facilities such as accessible places to meet, public toilets and street furniture was greater.<sup>118</sup>

### *Children and young people*

While young people value the range of things to do in London, and like the excitement of living in a world-famous place, many are excluded from enjoying it. London has one of the biggest populations of deprived children in the developed world, many of them from ethnic minorities. The most important cause of child poverty is lack of employment among households with dependent children. A quarter of London's children live in households with no adult in employment, and this rises to more than a third in inner London. This compares to 15 per cent nationally.<sup>119</sup>

Poverty affects children and young people in many ways. It may mean overcrowded and poor quality housing conditions, poor health and nutrition, lower levels of educational attainment and restricted recreational choices and mobility. London has the highest rates of teenage drug dependency, homelessness and pregnancy in the UK. The provision of high quality childcare, play, leisure, cultural and educational facilities is undoubtedly a determinant of children's future life chances. These restrict children's activities and affect their physical and mental development.<sup>120</sup> The Mayor's Children and Young People's Strategy sets out priorities for creating a genuinely child-friendly city, recognising that children and young people have the right to participate in decisions affecting their lives.

### **Conclusion**

This chapter has outlined some of the bottlenecks preventing London making the best it can of the resources, whether people, land or other assets. It has available. It shows how some groups within the community are affected in particular ways by the issues raised in this report. It has shown where more investment, and new initiatives and interventions are required, and explained how dealing with problems in London can help deliver national priorities and objectives.



## 5 Conclusion

### The changing world economy

London is successful and growing. This helps the UK and indeed the world economy to grow. To take advantage of the new opportunities opening up in the world, London must become still more open and innovative. New countries entering the world economy will generate new challenges and London's willingness to accept and absorb new cultures and groups is a key asset.

There will also be important challenges. The increasing ability to communicate at a distance fuels the desire to meet face to face and the greater the uncertainty and risks that businesses face the more they need to get together. The central business and commercial zone is, if anything, increasing in importance.

This means that density in the central area is likely to rise, while suburban centres need to provide the services that are being increasingly sought by more active and demanding consumers. This includes leisure and retail as well as health and education. Both the effective reuse of brownfield sites and especially the regeneration of the Thames Gateway are will be key to providing for London's population expansion and its ability to provide employment opportunities to the whole population.

A number of bottlenecks will need to be addressed – environmental quality is very important and so is tackling London's social divide and giving workless groups the support and access that they need to able to be participate in the 21st century labour market. Investment in the transport system is one element in this, alongside investment in other physical infrastructure for waste and recycling, and services infrastructure for schools and healthcare.







## Statistical appendix

### Section 1:

#### The changing world economy

The following tables relate to the report's Section 1:

The changing world economy

Table SA1.1: The world's biggest economies (US \$bn)

Country Economies										
	Brazil	China	India	Russia	France	Germany	Italy	Japan	UK	US
2004	435	1529	554	476	1455	1966	1212	4366	1647	11351
2010	668	2998	929	847	1622	2212	1337	4601	1876	13271
2015	952	4754	1411	1232	1767	2386	1447	4858	2089	14786
2020	1333	7070	2104	1741	1930	2524	1553	5221	2285	16415
2025	1695	10213	3174	2264	2095	2604	1625	5567	2456	18340

Source: BRICS Study: Goldman Sachs



Table SA1.2: Globalisation of trade and capital flows for UK.

International trade and investment as % of GDP

Year	Exports	Imports	UK invest abroad	Overseas invest in UK	Year	Exports	Imports	UK invest abroad	Overseas invest in UK
1970	22%	21%	3%	1%	1988	23%	27%	12%	16%
1971	22%	21%	6%	4%	1989	24%	28%	17%	21%
1972	21%	21%	1%	2%	1990	24%	27%	14%	17%
1973	23%	25%	4%	5%	1991	23%	24%	4%	5%
1974	27%	32%	3%	7%	1992	24%	25%	11%	12%
1975	25%	27%	1%	3%	1993	26%	27%	24%	26%
1976	28%	29%	3%	3%	1994	27%	27%	4%	4%
1977	30%	29%	9%	7%	1995	28%	29%	16%	17%
1978	28%	27%	2%	1%	1996	29%	30%	28%	29%
1979	28%	27%	19%	20%	1997	29%	29%	32%	30%
1980	27%	25%	18%	17%	1998	27%	28%	14%	16%
1981	27%	24%	19%	17%	1999	26%	28%	22%	25%
1982	26%	24%	11%	10%	2000	28%	30%	52%	54%
1983	26%	26%	9%	8%	2001	27%	30%	29%	31%
1984	28%	29%	9%	7%	2002	26%	29%	12%	13%
1985	29%	28%	13%	13%	2003	26%	28%	31%	33%
1986	26%	26%	23%	23%	2004	25%	28%	44%	45%
1987	25%	27%	19%	21%					

Source: The Pink Book 2005; UK National Accounts 2005

Table SA1.3: Comparable % shares of exports from UK and London by country

	UK	London
USA	18	22
Germany	10	8
France	9	8
Ireland	7	6
Netherlands	7	5

Source: GLA Economics

## Section 2: London and the UK

The following tables relate to the report's Section 2: London and the UK

Table SA2.1: Employment rate by gender and age in UK and London

Percentage employment rate of working age population						
	UK			London		
	Totals	Male	Female	Totals	Male	Female
16+	59.4	66.5	52.9	59.1	67.0	51.5
Working Age	74.1	78.7	69.2	69.3	75.7	62.5
16-19	49.9	48.9	50.9	32.6	30.7	34.7
20-24	69.1	73.5	64.8	61.6	63.1	60.2
25-34	79.2	87.5	71.2	75.7	85.3	66.0
35-49	81.7	88.4	75.1	75.3	84.9	65.7
50-Retirement	69.0	71.0	66.3	67.1	69.7	63.6

Source: Labour Force Survey - March 2003 to February 2004

Table SA2.2: Working age employment rate by ethnicity

	UK			London		
	Working age in employment	Total in working age	Employment rate %	Working age in employment	Total in working age	Employment rate %
White	24,972,300	33,021,500	75.6	2,435,400	3,260,400	74.7
BME	1,830,800	3,150,500	58.1	847,400	1,478,600	57.3
White males	13,565,400	16,988,700	79.8	1,368,300	1,710,700	80.0
BME males	1,047,900	1,575,100	66.5	474,600	725,400	65.4
White females	11,406,900	16,032,800	71.1	1,067,100	1,549,700	68.9
BME females	782,800	1,575,400	49.7	372,800	753,200	49.5

Source: Labour Force Survey- March 2003 to February 2004

Table SA2.3: Number and share of workplace employees by sector

	London	% employees	Britain	% employees
Primary and utilities	11,500	0.3	398,800	1.6
Manufacturing	223,600	5.7	3,236,400	12.6
Construction	126,300	3.2	1,139,600	4.4
Wholesale and retail trade	590,100	15.1	4,595,800	17.9
Hotels and restaurants	301,000	7.7	1,750,100	6.8
Transport and communication	301,700	7.7	1,540,700	6.0
Financial intermediation	323,300	8.3	1,079,700	4.2
Business activities	920,900	23.6	4,006,600	15.6
Public administration and defence	227,100	5.8	1,399,100	5.4
Education	282,100	7.2	2,316,700	9.0
Health and social work	346,000	8.9	2,926,500	11.4
Other social, personal services	253,600	6.5	1,326,500	5.2
<b>Total</b>	<b>3,907,000</b>	<b>100.0</b>	<b>25,716,200</b>	<b>100.0</b>

Source: Annual Business Inquiry 2003

Table SA2.4: Economically active working age by qualifications

Qualification	UK		London	
	Number of people economically active	% share of economically active	Number of people economically active	% share of economically active
NVQ4+	8,077,200	28.6	1,306,500	36.9
NVQ3	4,275,200	15.1	439,900	12.4
Trade apprenticeship	1,997,300	7.1	147,000	4.1
NVQ2	4,362,800	15.4	416,800	11.8
NVQ1	4,102,000	14.5	370,600	10.5
Other qualifications	2,370,800	8.4	552,600	15.6
No qualifications	3,060,100	10.8	308,500	8.7

Source: Labour Force Survey- March 2003 to February 2004

Table SA2.5: Population of London

Actual		Projected	
Year	Thousands	Year	Thousands
1971	7529	2006	7533
1981	6806	2011	7818
1991	6829	2016	8059
2001	7322	2021	8192
2003	7390	2026	8341

Source: GLA Data Management and Analysis Group

Table SA2.6: London: Components of population change

Year	Births	Deaths	Natural Change	Net Migration	Year	Births	Deaths	Natural Change	Net Migration
2002	104.3	57.4	47.0	3.9	2015	120.1	49.1	71.0	-24.4
2003	108.5	57.5	51.0	-33.9	2016	120.2	48.6	71.5	-24.9
2004	111.7	56.5	55.2	-13.4	2017	119.9	48.2	71.7	-45.6
2005	113.7	54.1	59.6	5.2	2018	119.6	47.7	71.9	-45.8
2006	114.3	54.3	60.1	3.5	2019	119.4	47.3	72.1	-46.0
2007	114.9	53.5	61.4	-4.8	2020	119.1	46.9	72.2	-46.1
2008	115.8	52.8	63.1	-7.8	2021	118.9	46.6	72.3	-46.2
2009	116.7	52.2	64.6	-9.3	2022	118.9	46.3	72.6	-43.1
2010	117.8	51.7	66.0	-10.7	2023	118.8	46.0	72.8	-43.3
2011	118.7	51.2	67.5	-12.2	2024	118.8	45.8	73.0	-43.5
2012	119.2	50.6	68.6	-22.0	2025	118.8	45.6	73.2	-43.7
2013	119.7	50.1	69.6	-23.0	2026	118.8	45.4	73.4	-43.9
2014	119.9	49.5	70.3	-23.7					

Source: GLA Data Management and Analysis Group

Table SA2.7: Central London office take-up and year end permission 1985-2004  
(mn sq ft net)

Year	Take-up	Permissions	Year	Take-up	Permissions
1985	10.5	13.4	1997	17.3	33.0
1986	13.6	13.0	1998	17.8	29.9
1987	14.0	23.6	1999	19.1	33.6
1988	12.0	27.2	2000	23.0	34.0
1989	15.9	28.4	2001	16.6	36.0
1990	13.8	29.5	2002	12.9	40.8
1991	8.9	42.6	2003	8.3	43.9
1992	10.5	51.0	2004	13.7	48.9
1993	12.9	53.3	<b>NOTES:</b>		
1994	12.5	49.7	<b>Demand:</b> Take-up includes both new and second space.		
1995	10.7	42.0	<b>Supply:</b> Includes only extant planning permissions at year end. Does not include completions in the year or space under construction		
1996	15.4	36.0			

Source: DTZ Research (take-up); London Property Research (permissions)

Table SA2.8: Mean average percentage of sales by London companies in the previous twelve months made to customers from specific locations

	%
Same borough	36.6
Rest of London	33.9
Rest of UK	22.6
Rest of Europe	3.5
Rest of the World	3.5

Source: London Annual Business Survey 2004

Table SA2.9: Millions of passenger journeys per year on Transport for London services

	London Underground	Bus	Total
1992/93	739.2	1866.4	2605.6
1993/94	735.4	1110.6	1846.0
1994/95	763.0	1169.6	1932.6
1995/96	783.9	1197.5	1981.5
1996/97	771.8	1234.4	2006.2
1997/98	832.1	1276.6	2108.7
1998/99	866.4	1266.8	2133.2
1999/00	927.2	1292.8	2220.0
2000/01	969.7	1354.1	2323.8
2001/02	950.8	1430.1	2381.0
2002/03	943.0	1535.6	2478.6
2003/04	947.6	1702.2	2649.8
2004/05	975.9	1792.7	2768.6

Source: Transport for London

## SA2.10 London workforce jobs (employees and self-employed) by sector 1982 to 2026

GVA Growth = 2.5% pa (000s)													
	Primary and utilities	Manufacturing	Construction	Wholesale	Retail	Hotels & restaurants	Transport & comms	Financial services	Business services	Public administration	Health & Education	Other services	Total
1982	54	662	247	277	331	180	422	264	507	289	623	186	4,041
1983	52	623	243	274	332	179	406	269	534	286	628	188	4,012
1984	49	592	251	276	347	187	403	274	567	280	637	199	4,064
1985	48	566	254	272	355	191	392	282	602	274	648	207	4,090
1986	45	528	250	266	359	190	377	296	629	271	656	206	4,073
1987	43	499	265	264	364	192	380	313	664	270	675	210	4,141
1988	41	475	280	263	369	198	378	330	708	266	702	217	4,227
1989	40	470	292	253	367	202	377	326	735	254	692	221	4,229
1990	38	438	284	242	365	203	381	324	752	259	637	239	4,162
1991	36	379	256	223	352	189	366	312	723	262	582	263	3,942
1992	35	354	221	210	348	183	346	296	700	256	566	254	3,768
1993	32	336	200	209	347	189	338	289	728	249	561	261	3,740
1994	27	332	194	216	368	206	339	299	773	244	559	288	3,845
1995	23	331	203	230	358	216	325	311	816	237	552	294	3,896
1996	22	320	199	228	356	214	330	320	855	231	563	307	3,946
1997	20	323	190	243	361	233	342	321	894	227	584	320	4,056
1998	20	327	203	250	380	253	345	330	948	230	579	330	4,194
1999	20	326	196	257	401	276	361	335	1,010	206	598	350	4,336
2000	21	325	212	264	409	284	369	347	1,088	218	611	361	4,509
2001	22	299	210	254	404	288	372	360	1,120	210	634	372	4,546
2002	19	273	211	250	396	297	352	346	1,069	223	641	371	4,448
2003	17	267	232	239	396	309	351	338	1,075	233	661	361	4,480
2004	16	259	228	241	399	317	349	340	1,107	229	664	371	4,521
2005	16	251	224	242	402	325	347	343	1,137	225	668	381	4,562
2006	15	244	220	243	406	334	346	345	1,168	221	671	391	4,603
2007	15	237	215	245	409	342	344	348	1,197	217	674	402	4,645
2008	15	230	211	246	412	351	342	350	1,226	213	678	413	4,687
2009	15	223	207	247	416	360	340	353	1,255	209	681	424	4,730
2010	14	217	204	248	419	369	338	355	1,283	206	684	435	4,773
2011	14	210	200	250	422	379	336	358	1,310	202	688	447	4,816
2012	14	204	196	251	426	389	335	360	1,337	198	691	459	4,860
2013	13	198	192	252	429	398	333	363	1,363	195	695	471	4,904
2014	13	192	189	254	433	409	331	366	1,389	191	698	484	4,948
2015	13	187	185	255	436	419	329	368	1,414	188	702	497	4,993
2016	13	181	182	256	440	430	327	371	1,438	185	705	511	5,039
2017	12	176	178	257	443	440	325	373	1,460	181	708	524	5,078
2018	12	171	175	258	446	451	323	375	1,482	178	710	537	5,118
2019	12	165	171	260	449	462	321	378	1,503	174	713	551	5,159
2020	11	160	168	261	452	474	319	380	1,523	171	716	565	5,199
2021	11	155	165	262	455	485	317	382	1,542	168	718	580	5,240
2022	11	151	161	263	458	497	315	384	1,561	165	721	595	5,281
2023	11	146	158	264	461	509	313	387	1,579	162	724	610	5,323
2024	10	142	155	265	464	522	311	389	1,596	159	726	626	5,365
2025	10	137	152	266	467	534	309	391	1,613	156	729	642	5,407
2026	10	133	149	267	471	547	307	394	1,629	153	732	659	5,450

Source: Experian Business Strategies (history 1982-2002), Volterra Consulting (projections 2002-2026)

### Section 3: London’s economic geography

The following tables relate to the report’s Section 3:  
London’s economic geography

Table SA3.1: London workforce jobs (employees and self-employed) by borough  
1982 to 2026

	Actual ('000s)			
	1982	1991	2001	2003
Greater London	4,041	3942	4546	4480
Barking & Dagenham	76	68	54	52
Barnet	118	117	143	133
Bexley	72	74	78	76
Brent	126	114	115	110
Bromley	109	116	116	118
Camden	224	231	290	285
City of London	341	258	330	315
Croydon	164	161	155	149
Ealing	142	129	128	128
Enfield	104	106	112	110
Greenwich	76	76	77	82
Hackney	95	86	98	98
Hammersmith	89	95	127	130
Haringey	75	68	69	71
Harrow	71	76	83	82
Havering	79	83	89	89
Hillingdon	129	152	188	182
Hounslow	137	121	144	133
Islington	126	133	174	179
Kensington & Chelsea	97	112	149	143
Kingston-Upon-Thames	73	74	81	75
Lambeth	142	123	133	144
Lewisham	71	71	77	84
Merton	76	78	81	77
Newham	86	74	82	80
Redbridge	77	77	85	85
Richmond-Upon-Thames	65	69	83	80
Southwark	142	146	179	170
Sutton	59	72	73	73
Tower Hamlets	91	116	155	166
Waltham Forest	74	68	66	64
Wandsworth	99	111	133	140
Westminster	535	491	603	579

Source: Experian Business Strategies and ONS Crown Copyright

Table SA3.2: Borough commuters.

	% of working residents that work outside borough area	% of borough's workers that live outside area
Barking and Dagenham	63	53
Barnet	59	44
Bexley	60	39
Brent	64	52
Bromley	55	38
Camden	60	84
City of London	52	99
Croydon	50	39
Ealing	62	51
Enfield	55	40
Greenwich	63	47
Hackney	68	65
Hammersmith & Fulham	68	73
Haringey	70	54
Harrow	62	45
Havering	55	38
Hillingdon	45	63
Hounslow	58	60
Islington	67	81
Kensington & Chelsea	66	75
Kingston	55	50
Lambeth	72	68
Lewisham	69	46
Merton	67	53
Newham	64	53
Redbridge	65	45
Richmond upon Thames	62	50
Southwark	66	74
Sutton	58	43
Tower Hamlets	61	82
Waltham Forest	64	43
Wandsworth	71	58
Westminster	48	91

Source: Census 2001

**Section 4:**

**Addressing bottlenecks and ensuring a high value London for all**

The following tables relate to the report’s Section 4:

Addressing bottlenecks and ensuring a high value London for all

Table SA 4.1: GCSE and equivalent results. Average point scores and associated value added measures - for each Local Education Authority and Government Office Region by the end of 2003/04 (2)

Percentage of 15/16 year old pupils achieving at GCSE and equivalents:					
	Number of 15/16 year old pupils	5+A*-C grades			GCSE Average Point Score
		All pupils	Females	Males	
London	73,400	53.0	58.1	47.9	283.2
Inner London	22,600	47.3	53.0	41.3	270.3
Outer London	50,800	55.5	60.4	50.7	289.0
England	643,600	53.7	58.8	48.8	283.1

Source: Department for Education and Skills

Table SA4.2: Average GCE/VCE A/AS levels and key skills point scores

Average point score by candidates achieving GCE/VCE A/AS and key skills at Level 3 qualifications:						
	Per candidate			Per entry		
	Males	Females	Total	Males	Females	Total
London	224.2	242.0	234.1	73.1	77.5	75.5
Inner London	197.4	212.4	206.0	70.1	74.3	72.5
Outer London	233.2	253.3	244.2	74.0	78.6	76.5
England	243.6	267.5	256.5	72.7	78.4	75.8

**Notes:** Each GCE/VCE AS attempt or pass counts as half of a GCE/VCE A level and each VCE Double Award counts as 2 GCE/VCE A levels. A pass is equivalent to 20 points. Figures include passes only.

Source: Department for Education and Skills

Table SA4.3: Housing affordability: Repaying the loan

Defined as the percentage of household income spent on mortgage repayments									
Year	First time buyers		Other buyers		Year	First time buyers		Other buyers	
	London	UK	London	UK		London	UK	London	UK
1995	20.5	18.7	17.3	17.2	2000	21.9	19.4	20.8	18.9
1996	18.8	17.3	16.3	15.7	2001	21.1	18.8	19.1	17.8
1997	19.8	17.9	17.4	16.6	2002	20.2	18.1	18.4	16.8
1998	21.5	19.5	19.3	18.0	2003	22.6	19.9	20.3	18.2
1999	20.3	18.2	18.2	17.0	2004	24.3	22.0	21.4	19.9
2004 q2	23.2	21.4	20.4	19.2	2004 q4	26.2	23.3	22.8	21.3
2004 q3	25.4	22.9	22.5	21.0	2005 q1	25.2	22.9	21.2	19.9

Source: Office of the Deputy Prime Minister



Table SA4.4: Number of unfit dwellings by tenure, April 2004

Boroughs	Local authority		Housing association		Other public sector		Private sector		Total dwellings	
	Total dwellings	No. unfit	Total dwellings	No. unfit	Total dwellings	No. unfit	Total dwellings	No. unfit	Total dwellings	No. unfit
Barking & Dag	20,977	1,908	2,097	0	0	0	45,324	1,989	68,398	3,897
Barnet	11,288	112	7,270	1	545	21	112,916	6,429	132,019	6,563
Bexley	0	0	12,532	1,600	8	0	80,864	3,530	93,404	5,130
Brent	9,949	14	13,785	289	2,250	1,009	78,349	5,292	104,333	6,604
Bromley	0	0	18,127	46	0	0	112,432	5,559	130,559	5,605
Camden	25,492	151	9,125	331	0	0	60,858	6,069	95,475	6,551
City of London	441	0	273	0	163	0	4,635	0	5,512	0
Croydon	14,412	0	8,853	620	91	0	115,086	9,552	138,442	10,172
Ealing	13,811	433	8,570	82	130	0	98,354	5,743	120,865	6,258
Enfield	12,246	144	6,809	52	39	0	97,670	3,776	116,764	3,972
Greenwich	25,904	1,103	10,107	6	621	0	59,799	7,515	96,431	8,624
Hackney	25,025	163	23,026	173	240	5	42,752	4,930	91,043	5,271
Hammersmith & Fulham	13,760	885	12,672	34	189	0	51,167	2,473	77,788	3,392
Haringey	17,072	1,128	10,241	850	77	0	68,290	11,978	95,680	13,956
Harrow	5,178	773	3,562	4	246	0	73,533	2,852	82,519	3,629
Havering	11,283	18	2,629	0	56	0	81,688	3,215	95,656	3,233
Hillingdon	11,350	159	5,664	0	863	1	83,143	3,679	101,020	3,839
Hounslow	13,879	2,064	6,380	16	194	0	68,716	7,682	89,169	9,762
Islington	29,415	2,929	11,339	713	53	0	46,186	3,518	86,993	7,160
Kensington & Chelsea	7,158	435	12,509	300	0	0	68,630	2,927	88,297	3,662
Kingston	4,972	0	2,268	0	0	0	54,883	2,468	62,123	2,468
Lambeth	31,957	2,700	16,453	165	423	45	69,614	9,794	118,447	12,704
Lewisham	27,591	11	8,469	292	795	0	73,756	5,324	110,611	5,627
Merton	6,624	41	4,447	41	87	0	65,790	0	76,948	82
Newham	19,899	293	12,101	605	274	0	63,990	9,002	96,264	9,900
Redbridge	5,199	0	3,564	0	1,249	0	85,386	5,178	95,398	5,178
Richmond	0	0	8,692	128	310	19	67,818	3,734	76,820	3,881
Southwark	45,346	6,612	13,131	666	0	0	58,562	2,025	117,039	9,303
Sutton	7,867	0	4,358	0	14	0	64,397	3,053	76,636	3,053
Tower Hamlets	23,530	3,018	16,261	1	200	0	48,608	1,876	88,599	4,895
Waltham Forest	10,951	17	12,222	82	0	0	70,800	5,629	93,973	5,728
Wandsworth	17,635	418	9,972	420	332	7	96,786	8,606	124,725	9,451
Westminster	12,624	250	12,925	1,035	455	0	88,992	4,444	114,996	5,729
London total	482,835	25,779	310,433	8,552	9,904	1,232	2,359,774	168,153	3,162,946	203,716

Source: Office of the Deputy Prime Minister

Table SA4.5: Residential units given planning approval

Approved residential units								
1987	1988	1989	1990	1991	1992	1993	1994	1995
32,756	36,420	30,933	23,053	20,041	26,119	26,625	23,539	18,134
1996	1997	1998	1999	2000	2001	2002	2003	
28,560	29,081	23,903	23,971	29,357	25,883	33,585	30,468	

Source: GLA

## Section 5: General reference

Table SA5.1: London's economic geography: Sector Industrial Classifications

<b>Financial Services</b>	<b>Passenger transport, freight and storage</b>
651 : Monetary intermediation	6010 : Transport via railways
652 : Other financial intermediation	6021 : Other scheduled passenger land transport
660 : Insurance and pension funding	6022 : Taxi operation
671 : Activ. auxil. to finan. intermediation	6023 : Other passenger land transport
672 : Activ. auxil. to insur./pension funding	6024 : Freight transport by road
<b>Professional Services</b>	6110 : Sea and coastal water transport
7411 : Legal activities	6120 : Inland water transport
7412 : Accounting/book-keeping activities etc	6210 : Scheduled air transport
7413 : Market research/public opinion polling	6220 : Non-scheduled air transport
7414 : Business/management consultancy activ.	6311 : Cargo handling
7415 : Management activities: holding companies	6312 : Storage and warehousing
7420 : Architectural/engineering activities	6321 : Other supporting land transport activ.
7430 : Technical testing and analysis	6322 : Other supporting water transport activ.
7440 : Advertising	6323 : Other supporting air transport active
<b>Creative Activities</b>	<b>Retailing of comparison goods</b>
2211 : Publishing of books	5212 : Other retail: non-specialised stores
2212 : Publishing of newspapers	5241 : Retail sale of textiles
2213 : Publishing of journals and periodicals	5242 : Retail sale of clothing
2214 : Publishing of sound recordings	5243 : Retail sale of footwear/leather goods
2215 : Other publishing	5244 : Retail sale of furniture etc nec
2231 : Reproduction of sound recording	5245 : Retail sale: electrical household goods
2232 : Reproduction of video recording	5246 : Retail sale of hardware/paints/glass
2233 : Reproduction of computer media	5247 : Retail sale of books/newspapers etc
7220 : Software consultancy and supply	5248 : Other retail sale: specialised stores
7481 : Photographic activities	5250 : Retail sale: second-hand goods in stores
9211 : Motion picture and video production	<b>Industrial manufacturing</b>
9212 : Motion picture and video distribution	15 : Manuf food products and beverages
9220 : Radio and television activities	16 : Manuf tobacco products
9231 : Artistic and literary creation etc	17 : Manuf textiles
9240 : News agency activities	18 : Manuf apparel;dressing/dyeing fur
<b>Leisure Activities</b>	19 : Tanning/dressing of leather, etc
5530 : Restaurants	20 : Manuf wood/products/cork, etc
5540 : Bars	21 : Manuf pulp, paper and paper products
9232 : Operation of arts facilities	23 : Manuf coke, refined petroleum products
9233 : Fair and amusement park activities	24 : Manuf chemicals and chemical products
9234 : Other entertainment activities nec	25 : Manuf rubber and plastic goods
9252 : Museum activities etc	26 : Manuf other non-metallic products
9253 : Botanical and zoological gardens etc	27 : Manuf basic metals
9261 : Operation of sports arenas and stadiums	28 : Manuf fabricated metal products, etc
9262 : Other sporting activities	29 : Manuf machinery and equipment nec
9271 : Gambling and betting activities	30 : Manuf office machinery and computers
9272 : Other recreational activities nec	31 : Manuf electrical machinery/apparatus nec
<b>Schools and hospitals</b>	32 : Manuf radio, tv/communications equipment
8010 : Primary education	33 : Manuf medical,precision instruments,etc
8021 : General secondary education	34 : Manuf motor vehicles,trailers,etc
8511 : Hospital activities	35 : Manuf other transport equipment
	36 : Manuf furniture; manufacturing nec
	37 : Recycling

**Local activities**

5020 : Maintenance and repair of motor vehicles

5050 : Retail sale of automotive fuel

5211 : Retail: non-specialised food stores etc

5221 : Retail sale of fruit and vegetables

5222 : Retail sale of meat and meat products

5223 : Retail sale of fish/crustaceans/molluscs

5224 : Retail sale of bread, cakes etc

5225 : Retail sale of alcoholic/other beverages

5226 : Retail sale of tobacco products

5227 : Other retail sale of food/beverages etc

5231 : Dispensing chemists

5232 : Retail sale of medical/orthopaedic goods

5233 : Retail sale of cosmetic/toilet articles

5262 : Retail sale via stalls and markets

5271 : Repair of boots/shoes etc

5272 : Repair of electrical household goods

5273 : Repair of watches, clocks and jewellery

5274 : Repair nec

7031 : Real estate agencies

8512 : Medical practice activities

8513 : Dental practice activities

8520 : Veterinary activities

9301 : Washing/dry cleaning of textile etc

9302 : Hairdressing and other beauty treatment

9303 : Funeral and related activities

9304 : Physical well-being activities



## Abbreviations

<b>APRIL</b>	Air Pollution Research Network
<b>BCS</b>	British Crime Survey
<b>Bn</b>	Billion
<b>BRICs</b>	Brazil, Russia, India and China
<b>CAZ</b>	Central Activity Zone
<b>CHP</b>	Combined Heat and Power
<b>CO</b>	Carbon Monoxide
<b>CSR</b>	Corporate and Social Responsibility
<b>DDA</b>	Disability Discrimination Act
<b>DfES</b>	Department for Education and Skills
<b>DGT</b>	Development Gains Tax
<b>DTI</b>	Department of Trade and Industry
<b>EBS</b>	Experian Business Strategies
<b>EU</b>	European Union
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>GLA</b>	Greater London Authority
<b>GVA</b>	Gross Value Added
<b>GWh</b>	Gigawatt hour
<b>HM Treasury</b>	Her Majesty's Treasury
<b>ICT</b>	Information and Communications Technology
<b>ILO</b>	International Labour Organisation
<b>LAQN</b>	Local air Quality Network
<b>LDA</b>	London Development Agency
<b>LEZ</b>	Low Emissions Zone
<b>LGBT</b>	Lesbian Gay Bisexual and Transgender
<b>LIFT</b>	Local Implementation Finance Trust
<b>LVT</b>	Land Value Tax
<b>Mn</b>	Million
<b>NHS</b>	National Health Service
<b>NO<sub>2</sub></b>	Nitrogen Dioxide
<b>NO<sub>x</sub></b>	Nitrogen Oxide
<b>ODPM</b>	Office of the Deputy Prime Minister
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>OEF</b>	Oxford Economic Forecasting
<b>ONS</b>	Office for National Statistics
<b>PM10</b>	Particulate matters
<b>PSAs</b>	Public Service Agreements
<b>RSL</b>	Register Social Landlords
<b>SIC</b>	Standard Industrial Classification
<b>SRDFs</b>	Sub Regional Development Frameworks
<b>TfL</b>	Transport for London
<b>UK</b>	United Kingdom
<b>UNPD</b>	United Nations Development Programme
<b>US</b>	United States of America
<b>VAT</b>	Valued Added Tax
<b>WTO</b>	World Trade Organisation



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εγγράφου στη δική σας γλώσσα, παρακαλείστε να  
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edinmek için, lütfen aşağıdaki  
telefon numarasını arayınız  
veya adrese başvurunuz.

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ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ  
ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ  
ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

### Hindi

यदि आप इस दस्तावेज की प्रति अपनी  
भाषा में चाहते हैं, तो कृपया निम्नलिखित  
नंबर पर फोन करें अथवा नीचे दिये गये  
पते पर संपर्क करें

### Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি  
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বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

### Urdu

آپنی یڈی آپنار ہاہاہی ایہ دلیلیر ہر تیلپی  
(کپی) چان، تا ہلے نیچر فون نمبرے  
با ٹیکانای انوگرہ کرے یوہاہوہ کرہن۔

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જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર  
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