

Working Paper 25

An expenditure-based approach to employment sectors in London

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Executive summary

This report splits regional employment into 12 categories that have been chosen based on a consideration of expenditure flows through the economy. In doing so, it shows how demand, supply and incomes are higher in London than in other regions due to London's specialisations in certain key tradeable service sectors and how this also feeds through into higher employment in local non-tradeable service sectors.

London has significantly more private sector jobs than any other region of the UK. In 2005, London had 540 employee jobs per 1,000 residents. Across the rest of GB the average was 440 employee jobs per 1,000 residents. This supports the view of London as a major creator of employment within the UK economy and its most important economic centre.

London has significantly higher employment in 'financial services', in 'media and publishing' and in 'high value business services' than all other regions of Great Britain. These are all sectors in which London exports to other regions and internationally, bringing substantial income into the London economy. Furthermore, these sectors all have the potential for ongoing output and employment growth in London provided that London continues to be seen by employers as a good place to locate such businesses.

In the case of 'financial services', in 2005 there were 41 employee jobs per 1,000 residents in London compared to just 15 employee jobs per 1,000 residents in the rest of GB. This higher employment in London reflects the fact that the 'financial services' sector is a key export sector for London with the capital responsible for a significant proportion of the UK's £32bn of financial services exports in 2006.

The 'high value business services' category consists of law firms, accountancy firms, IT specialists, management consultants, advertisers and other high qualification professions. London has significantly higher employment in this category than other regions of the UK with 63 jobs per 1,000 residents in London compared to just 27 jobs per 1,000 residents in the rest of GB. The agglomeration benefits of close proximity are important for many firms in this sector. Location in London allows proximity to other business service firms together with proximity to London's 'financial services' and 'media and publishing' specialisms. Furthermore, London has developed sufficient expertise in a number of these occupations to become a major exporter of these services to other parts of the UK and internationally.

Whilst not on the same scale in terms of overall employment as 'financial services' or 'high value business services', London also has a UK specialisation in 'media and publishing' with 17 employee jobs per 1,000 residents in London contrasting with no other GB region having more than 4 employee jobs per 1,000 residents. London's role as the political centre of the UK and its major city is clearly a major reason for this specialisation with all the national newspapers being based in London together with the BBC and other television broadcasters.

Compared to the rest of GB, London also has higher employment in 'support business services', which is a category of non-tradeable business services such as security, catering and industrial cleaning. This follows from London having a higher level of office-based

employment than other regions, which creates the demand for employment in these support service occupations.

In contrast to the specialisms described above, London has relatively few jobs in 'manufacturing and primary' industries compared to elsewhere in GB. This reflects the massive decline seen in manufacturing employment within London over recent decades. Manufacturing remains a more important part of the economy across the rest of GB with the value of goods exports from the UK continuing to rise even though employment in the sector continues to fall.

In sectors reliant on consumer spending, London has greater employment relative to population than other areas of the UK. This reflects the greater average wealth of consumers in London compared to the rest of GB due to higher average wages, and also the high level of tourist visits that occur to London relative to the rest of the country.

The amount of additional employment in the 'consumers spending their £s' category is however limited by the fact that more of Londoners' incomes are spent on housing than is the case elsewhere in GB. This fact is reflected in the existence of more property-related jobs in London than in other GB regions.

One other area in which London has more jobs than other areas of the UK is in passenger transport occupations.

Overall, London generates significantly more private sector jobs than the rest of the UK with 'financial services', 'business services', and 'media and publishing' all key sectors in which London specialises in contrast to the rest of GB.

Analysis of public sector employment shows that there is little difference between the amount of public sector jobs per 1,000 residents in London and the average amount of public sector jobs in the rest of GB. Although there are fewer jobs in health and education in London this is compensated for by the additional government administration jobs.

Outside London, the South East is the region with the most private sector jobs relative to its population. Compared to other non-London GB regions, the South East has a higher share of 'high value business services' employment, particularly within the IT sector, which is key to its overall higher levels of regional employment.

At the other end of the scale, Wales and the North East are the two regions with the fewest private sector employee jobs relative to their populations. There is a relative lack of jobs in 'financial services', 'high value business services' and 'distribution' in these regions leading to fewer jobs also in the non-tradeable sectors of 'support business services' and 'consumers spending their £s'.

The above analysis illustrates differences across the UK economy, and in particular between London and the rest of GB. The factors influencing the location decisions that have brought about this current distribution of employment and output in London and the rest of GB are

many and varied and beyond the scope of this report. However, it is important to remember that private sector firms have themselves made the decisions on location, so that the spatial distribution of employment described in this report is simply a reflection of these market-based choices by employers. It is these choices by employers that therefore underlie the main finding from this report in relation to London which is that London has, to a significant degree, higher employment in 'financial services', 'high value business services' and 'media and publishing' than any other region in the UK. This in turn creates the demand, and London's relatively high employment levels, in the non-tradeable sectors of 'support business services', 'consumers spending their £s' and in 'property'.

Introduction

This is the second of two related reports that describes the employment structure of London by analysing employment data on a sector-by-sector basis.

In the first report¹, analysis was carried out according to the 17 employment sections² provided in the Standard Industrial Classification (SIC) categorisation. This makes the first report particularly useful when comparisons need to be made to the many other reports and data presented in this manner, including GLA forecasts of future London employment³. However, the first report also highlighted a number of occasions where the SIC categorisation may not be the most intuitive means of analysing and understanding the employment structure of the London economy.

For this second sectors report, the analysis has moved away from the employment sections categorisations provided by the SIC. Instead, a new set of 12 broad employment categories have been devised, which provide an alternative means of investigating London's economy. These categories have been put together based upon a simplified model of expenditure flows through the London economy. Details of these categories, the rationale behind them, comparisons to the broad sector groupings of the SIC, and detail on how the analysis of these demand-based categories should be interpreted are provided in Section A of the report.

The report goes on to provide data and analysis based on these new categorisations. Section B, therefore, examines each category in turn providing data on employment trends in London and the rest of Great Britain, both in aggregate and broken down by region.

This comparison with all other GB regions allows comparison and understanding of how London's economy differs to that of other regions⁴. In particular, the report seeks to provide data on the ability of the London economy to generate employment, relative to other regions, both in aggregate and by sector. To this end, employment data is presented relative to population for each region.

The report concludes with a summary of the results in Section C. This section includes comparisons of Inner and Outer London employment together with a look at absolute changes in London employment levels by category over the past decade.

Appendices detailing the definitions of the employment categories used in this report together with an overview of the Standard Industrial Classification are also included.

¹ GLA Economics 2007, Working Paper 24: An Analysis of London's employment by sector

² See Appendix A for a list of the SIC employment sections

³ For example, GLA Economics Working Paper 20: Employment projections for London by sector and borough

⁴ In this report Wales and Scotland are discussed as regions of GB purely to enable the analysis in the report to be conducted and discussed more easily. Wales and Scotland are, of course, countries within GB, not regions.

Section A: An expenditure-based analysis of London sectors

Employment categories based on demand and expenditure

This report is based on a set of 12 broad employment categories that have been devised in an attempt to provide a meaningful way of analysing employment sectors in terms of their role in the overall London economy.

The 12 employment categories can be considered as an alternative categorisation to the 17 existing SIC sections⁵. They are similar in that as with the SIC sections the 12 employment categories in this report cover all employment in the economy without double counting. They are also similar in that they are based on the existing four-digit employment classes of the SIC. The difference is that rather than these employment classes being aggregated into the usual 17 employment sections of the SIC, they are instead aggregated in a different way to form the 12 employment categories in this report.

In comparison to the 17 existing SIC sections, the categories in this report have been created to link more closely to the flows of money through the economy and to the final demand for a product. Therefore, in deciding which category different jobs and professions should be placed a key question asked has been “who pays for this?” or alternatively “who is the customer?”.

To take one example illustrating how this has informed the categorisations, consider the two employment sectors of bars and catering. In the SIC classification these two activities are grouped together as part of section H of the SIC ‘Hotels and Restaurants’. This makes sense in terms of their production activity as both bars and catering exist to provide food and drink. However, from the point of view of demand for the products, they have very little in common. The major consumer for the bars sector are those consumers who choose to spend some of their household income on a visit to a bar or pub. By contrast, the reason for the existence of a large catering sector in London is demand from businesses for food and drink for office meetings and business events. In other words, viewed from a consideration of demand, catering is seen clearly as a business service whereas bars are seen as a sector competing mostly for consumer expenditure.

In addition to looking at the demand for products, the role of a job or profession has also been considered. Thus, a city or region requires infrastructure and transport services if it is to exist and grow. Therefore, key providers of city infrastructure have been grouped together. Also regions require skilled workforces and innovation and therefore those jobs that exist to promote skills and innovation have also been grouped together.

Overall, the new categories used, attempt to provide a useful means of analysing employment in the economy by basing the classifications on the demand, as observed by expenditure, for occupations within the economy and the role in the economy that underlies

⁵ See Appendix A.

each job. This contrasts with the SIC categorisation which is much more a production orientated categorisation based on the similarity of outputs, rather than the demand or role for these outputs in the economy (eg, the example of bars and catering described earlier).

As with any such grouping of sectors, this new process of categorisation is not flawless. For example, hotels have been included in the 'consumers spending their £s' category on the basis that their major demand comes from consumer spending. However, much of the income for hotels will of course come from business spending. Despite this the majority of jobs fit relatively easily into the categorisations used and overall should give a better representation of how employment relates to the flow of expenditure through the economy, and the role of different jobs within the economy, than is possible to obtain from using the SIC employment sections alone.

Employment categories

The 12 employment categories used in this report are⁶:

Table 1: Employment category and definition

Employment Category	Definition
Manufacturing and Primary	The manufacture of goods and the primary industries of agriculture, oil and mining.
Distribution	The movement and storage of goods, including wholesale activities, freight and logistics.
Consumers Spending their £s	Employment that is primarily financed by consumers (including tourists) spending income within a region. A category predominantly based on retail and leisure.
Media and Publishing	Consumer focused sectors, but ones not necessarily financed solely by local consumption spending. The category includes television, film, and publishing activities.
Financial Services	A category concerned with investment rather than consumption - includes all financial services.
Property	Property related employment - including real estate activities with own property.
High Value Business Services	Business services that require high skills, that are knowledge based, and can potentially be exported. Includes IT, legal, accounting, market research, management consultancy, architecture, engineering and advertising.
Support Business Services	Business services that generally require only low qualifications and that exist in a local context to supply other businesses with services such as post, catering, labour, security, cleaning and rental services.
City Building Blocks	Employment necessary for a city or region to exist and grow in terms of providing infrastructure and transport services; includes utilities, sewerage, construction, telecommunications infrastructure, public transport and air transport.
Research and Skills	Employment involved in attempting to develop the skills and innovation necessary for a developed economy - includes higher education, research and development, and business and professional organisations.
Health and Education	Health and education services which are available to all residents. Mostly government funded – includes primary/secondary education but not higher education.
Public Administration	Public administration via national and local government - also publicly funded quangos, police etc.

⁶ For details of SIC classes included in each category, see Appendix B.

Comparisons to SIC employment sections

In addition to the bars and catering example provided earlier, there are a number of other key changes that the use of this new categorisation brings about in comparison to the SIC classification. The major changes are as follows:

- 'Business services' as defined by the SIC include a wide mix of professions including accountancy, industrial cleaning and real estate with own property. This categorisation used in this report has firstly separated out property-related activities as a separate category. It has then split 'business services' into two separate categorisations; 'high value business services' and 'support business services'. The difference between the two is that the 'high value business services' are generally high skilled sectors producing services capable of export whilst 'support business services' generally have a less-qualified workforce and provide services on a localised basis only.
- The 'consumers spending their £s' category has been created to include all sectors where employment is created through individual people spending their income within a region (whether as local residents or as tourists visiting that region). This broadly means retail and leisure sectors and includes many of the sectors included in SIC sections G (retail), H (hotels and restaurants), and O (other services). To some degree all the sectors included in this category can be considered to be competing with each other for local consumer expenditure whilst the sector overall will grow as overall consumer expenditure grows.
- 'Media and publishing' is categorised separately from 'consumers spending their £s' on the basis that local employment in the sector, although similarly consumer driven, can be boosted by national and global demand for their products unconnected to actual visits to the region. Additionally, publishing, which is in the manufacturing sector in the SIC, has been moved into this sector highlighting its close links both in terms of production and demand with the media sector.
- Transport activities have been split depending on their role in the economy. Therefore freight transport is allocated to 'distribution'; the activities of travel agencies are allocated to 'consumers spending their £s'; whilst other transport roles, including public transport and air transport, is allocated to 'city building blocks'.
- 'City building blocks' has been created to include all employment related to the infrastructure necessary to maintain a region and its operation. The sector therefore includes utilities, sewerage, construction, telecommunications infrastructure and public transport.
- Education is split, with primary and secondary education in the 'health and education' category as these services are all characterised as being provided free by government to all. Higher education, however, is categorised alongside research and development and business and professional organisations in the 'research and skills' category of

roles that seek to raise individuals' skills and promote research and development with the aim of improving the potential of the economy.

A full list of the occupations allocated to each category is provided in Appendix B.

Interpreting the employment categories

It is important when reading this report to be aware that the regional differences shown in terms of employment in different categories are a reflection of comparative advantage across the economy and in particular the location decisions of thousands of individual firms. It is these individual location decisions, together with the relative success or otherwise of these firms over time, which in aggregate have led to the distribution of employment and economic activity that currently exists across the UK.

The exact factors that will have influenced these individual location decisions are many and varied and beyond the scope of this report. However, it is important to remember that private sector firms have themselves made the decisions on location, so that the spatial distribution of private sector employment described in this report is simply a reflection of these market-based choices by employers together with their subsequent ability to thrive or otherwise in their chosen location.

Analysing demand and splitting employment into the sector categories used in this report allows an understanding to be gained of the different market contexts in which each category of employment exists. For example, it can show how some sectors are highly dependent on consumer spending whilst others are highly dependent on business to business expenditure. It can also show how some sectors are tradeable and how other areas are largely not. By comparing different regional employment patterns across these different categories we therefore get some indications of the different types of industry in which particular regions specialise relative to other regions.

For example, the data shows that London has a strong specialisation in the sector of 'high value business services'. This is a sector that relies on demand from businesses and is partially tradeable such that production and consumption need not be within the same region. It therefore illustrates that London possesses a comparative advantage in terms of attracting and growing firms in this sector relative to the rest of the UK. In other categories the report shows that other regions perform well. For example, the South West of England has a relatively strong performance in the 'consumer spending their £s' category, a sector which is dependent on consumer spending directly within a region. The East and West Midlands, meanwhile, have more employment than other regions in manufacturing.

In terms of implications for public sector intervention it is important to note there is no 'correct' distribution of jobs that all regions must possess to be successful. It is quite possible for two regions to both be successful even with very different industrial structures. Indeed, the theory of comparative advantage and trade suggest that different regions should actually have different industrial structures.

Instead, the key to maintaining and/or exploiting a region's comparative advantage is for it to focus on productivity growth. Productivity growth allows increased output for the same input costs and it is important for any region's economic growth that it achieves productivity growth across all its sectors. HM Treasury has identified five 'drivers' of productivity: skills, investment, innovation, enterprise and competitiveness. The most effective public sector

interventions in the economy are therefore those that help to boost output in the economy through correction of any market failures that are constraining productivity growth.

Section B: Employment data by category

This section analyses the employment data for London and other Great Britain (GB) regions based on the employment categories introduced in Section A. For each of the 12 employment categories, the following data is provided:

- Growth in employment in London from 1995 to 2005 in comparison to that of the rest of GB, allowing analysis of London's recent performance in comparison to the rest of the country.
- A ranking of employment in all GB regions for 2005 as well as the GB average. This helps to show which areas of the country most strongly specialise in an employment area, and which do not.
- Disaggregation of employment into the sub-sectors that constitute each employment category with employment data shown for London in comparison to the rest of GB. This allows London's relative specialisms within each category to be made clear.

In each case, the statistic being used to measure employment in this analysis is employee jobs per 1,000 residents⁷ (which is similar to the measure of job demand used in the Labour Force Survey). This is chosen because it is seen as a good measure of comparing the actual number of jobs that have been generated in an area, which is the key concern of this analysis.

When comparing UK regions using this statistic a number of results can be expected:

- Regions with strong export specialisations will have more people employed per 1,000 residents in these sectors than will other regions. Thus, where one region has a high employment level in a tradeable employment category then this would be expected to highlight the existence of a sizeable export industry (whether abroad or to other UK regions) in this region.
- Where a region has high employment levels across tradeable categories of the economy, it is also likely to see high employment in non-tradeable categories. This is because the income generated from exports (whether abroad or to other UK regions) help boost local incomes amongst consumers and businesses and this boosts derived demand for non-tradeable goods and services.
- Public sector jobs per 1,000 residents in areas such as health and education would be expected to be broadly equal across all regions as they are financed based on need which will be broadly similar across the regions.

⁷ Employee jobs as measured by the ABI. Note this excludes self-employment.

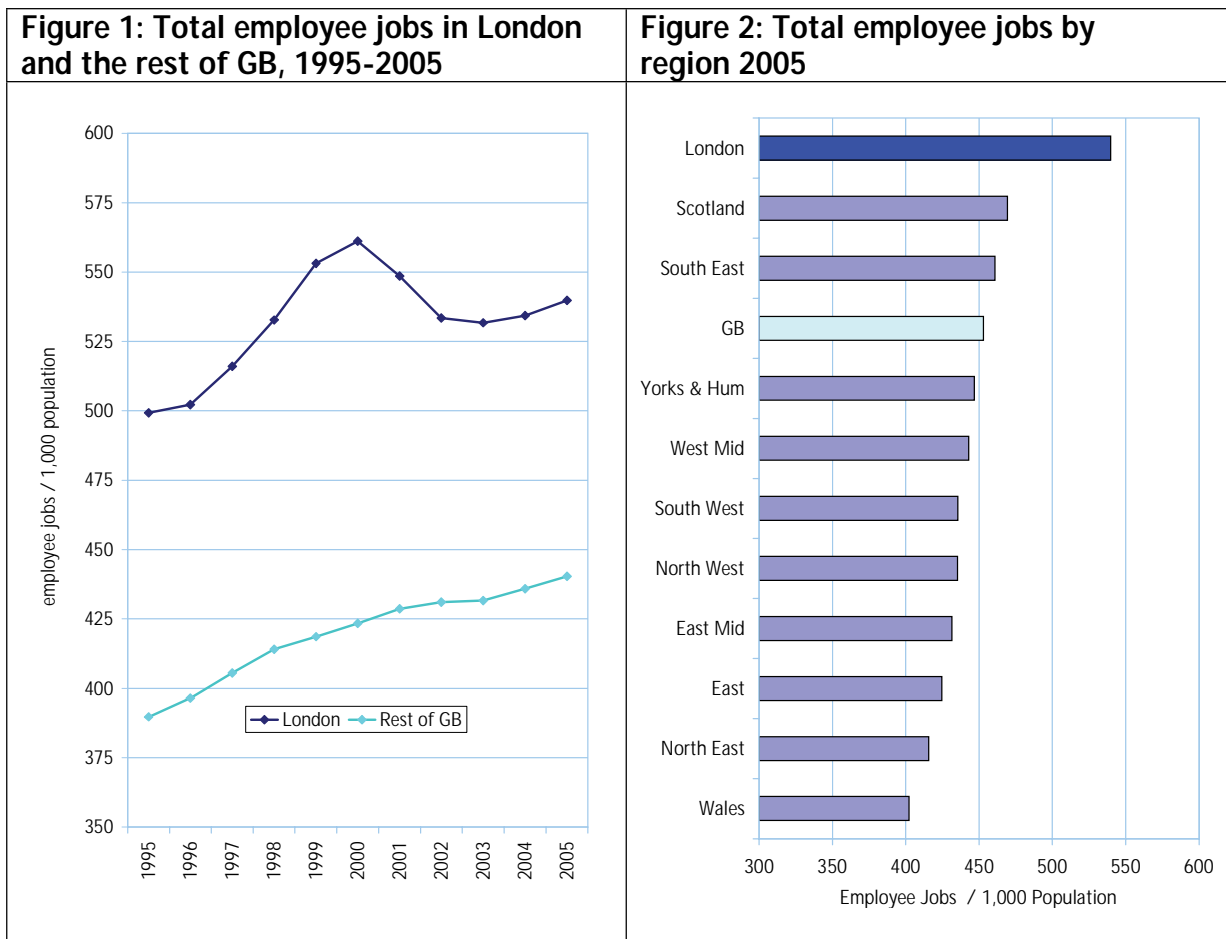
Total employment

The UK economy since 1995 has been characterised by ongoing economic growth with GDP rising by an average of 2.8 per cent per annum over the 1995-2006 period⁸.

During this period, aggregate demand has been strong, aided by a reduction in the household savings ratio, which has led to robust levels of UK consumer spending⁹, and also by global economic growth which has stimulated UK exports.

On the supply side, productivity growth has averaged 1.9 per cent per annum for London and 1.7 per cent per annum for the UK in the current economic cycle (starting 1997) down slightly from the previous economic cycle¹⁰. Aggregate supply, however, has been boosted by a rise in the total working-age population and also by an increase in employment rates.

Figure 1 shows this increase in employment over the 1995 to 2005 period.



⁸ UK GDP has risen by an average 2.8 per cent per annum 1995-2006 – above the longer term average of 2.5 per cent per annum. Source ONS: UK economic accounts.

⁹ A reduction in the households' saving ratio from 10.2 per cent in 1995 to 5.0 per cent in 2006 has meant that households final consumer expenditure has grown by 3.3 per cent per annum over the 1995-2006 period, exceeding the 2.6 per cent average annual growth in real households' disposable income.

¹⁰ GLA Economics - London Economic Development Snapshot Issue 5 July 2007

The main aim of Figures 1 and 2 is to compare London to the other regions of GB. What they show in this regard is that London has substantially more employee jobs relative to its population than has the rest of the country. In 2005, London had 540 employee jobs per 1,000 residents whilst the rest of GB averaged 440 employee jobs per 1,000 residents. This supports the view of London as a major creator of employment within the UK economy and its most important economic centre¹¹.

Figure 1 also shows that the gap between employment per 1,000 residents in London and the rest of GB has remained substantial over the 1995 to 2005 period. London's employment performance however has been more cyclical than that of the rest of GB.

The growth in employment relative to population has been slower in London than the rest of GB over the 1995-2005 period as shown in Figure 1. However, it should be noted that London's population has been growing faster than that of the rest of GB. Between 1995 and 2005, London's population rose by 8.7 per cent whilst population in the rest of GB rose by only 3.0 per cent.

Figure 2 shows that outside London, Scotland has the most employee jobs relative to its population followed by the South East of England. However, even in these regions, there are significantly fewer employee jobs than is the case in London. The two regions that have the least employee jobs relative to population are the North East of England and Wales.

The remainder of this section of the report examines each of the employment categories in turn to show how they contribute to the overall employment picture shown above.

Financial services

Figure 3 shows that London has a very clear specialisation in 'financial services' in comparison to other regions of GB. In 2005, there were 41 employee jobs per 1,000 residents in 'financial services' in London compared to just 15 employee jobs per 1,000 residents in the rest of GB.

¹¹ See GLA Economics – The Case for London and GLA Economics – Growing Together.

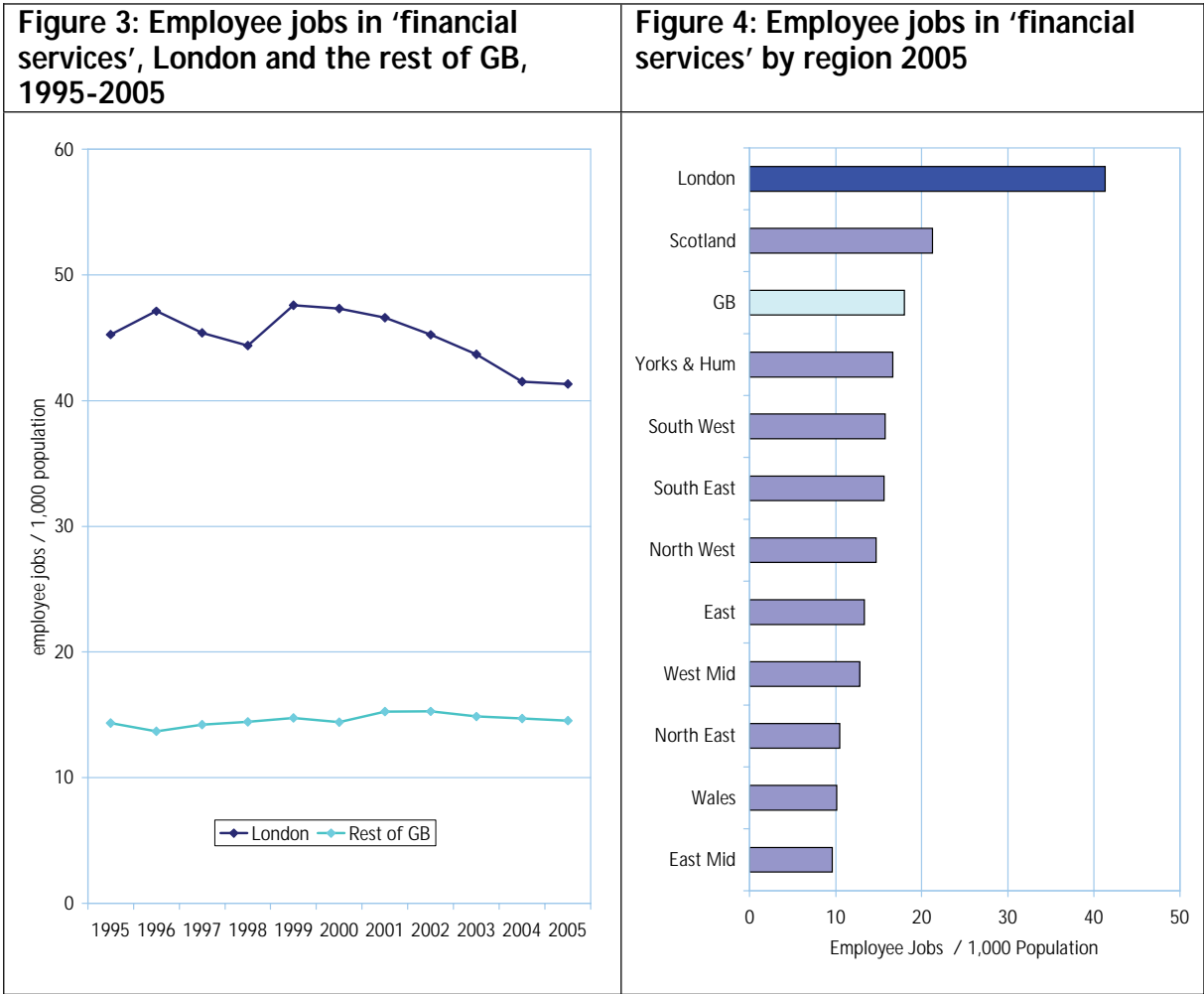


Figure 4 shows that all regions of GB have at least 10 jobs per 1,000 residents in the 'financial services' sector. This probably reflects the amount of employment required for the 'financial services' sector to provide its products on a localised basis eg, branches of high street banks and building societies, financial advisors etc.

In London, where by contrast employment is significantly higher, much of the employment in 'financial services' is employed in national and international financial services roles. In other words, the higher employment in London reflects the fact the 'financial services' sector is a key export sector for London.

Across the UK overall, demand for 'financial services' totalled £161bn in 2004¹² of which 61 per cent is made up of intermediate consumption by businesses, 23 per cent is made up of household final expenditure and 16 per cent is due to exports. The employment data suggests that a significant share of these exports will originate from London.

¹² ONS: United Kingdom Input-Output Supply and Use Tables, 2004 (Data consistent with UK National Accounts 2006 Blue Book).

Exports of financial services from the UK have been growing strongly and were worth £32bn in 2006. The value of financial services exports from the UK increased by an average of 13 per cent per annum between 1995 and 2006 compared to an average annual growth rate for the value of all UK exports of 6 per cent during the same period¹³.

In addition to the direct employment it creates, London also benefits from the business to business expenditure of the 'financial services' sector creating growth and employment elsewhere in the economy. Approximately 10 per cent of total UK demand for 'high value business services' originates from the intermediate consumption expenditure of the 'financial services' sector¹⁴.

Therefore, the 'financial services' sector is an important sector for London. Not only does it provide direct employment in an area with significant and growing export potential but it also creates demand for other London goods and services through its intermediate consumption (particularly of business services) and via the high wages the sector pays out to its staff which will feed into consumer spending in London.

Table 2: 'Financial services' employee jobs per 1,000 residents, 2005

	London		Rest of GB
Total Financial Services	41		15
Financial Intermediation (SIC 65)	22		8
Insurance and Pension Funding (SIC 66)	4		3
Activities Auxillary to Financial Intermediation (SIC 67)	15		3

London's specialisations within 'financial services' are in areas such as banking and fund management. The insurance sector, by contrast, is not as strongly linked to London. This is shown in Table 2.

It should be noted that the slight decline in employment relative to population in 'financial services' in London shown in Figure 3 is largely due to the increasing population in London rather than decreases in employment in the 'financial services' sector. In absolute terms, the number of employee jobs in 'financial services' in London remained at similar levels in 2005 to that of 1995 (see Figure 32).

More detailed analysis of the employment data within London's 'financial services' sector shows that employment in key wealth generating sectors of 'financial services' such as fund management and security broking has increased sharply over the past decade in London, even though there have been some recent declines in the more traditional employment area of financial intermediation (banks and building societies)¹⁵.

¹³ ONS: Pink Book 2007.

¹⁴ ONS: United Kingdom Input-Output Supply and Use Tables, 2004.

¹⁵ GLA Economics 2007, Working Paper 24: An Analysis of London's employment by sector.

Media and publishing

Demand for media and publishing activities originates mostly from consumers via household expenditure. Unlike the consumer-focused activities within the ‘consumers spending their £s’ category, however, there is no particular reason why the supply of ‘media and publishing’ should take place in the same region as the consumption. In other words, it is a sector in which employment can be concentrated in one region, even though demand will be spread across all UK regions (plus abroad). Figures 5 and 6 show that this is indeed the case and that employment in the ‘media and publishing’ sector within Great Britain is very strongly concentrated within London.

In 2005, there were 17 employee jobs per 1,000 residents in ‘media and publishing’ in London whilst no other GB region had more than 4 employee jobs per 1,000 residents.

Figure 5: Employees jobs in ‘media and publishing’, London and the rest of GB, 1995-2005

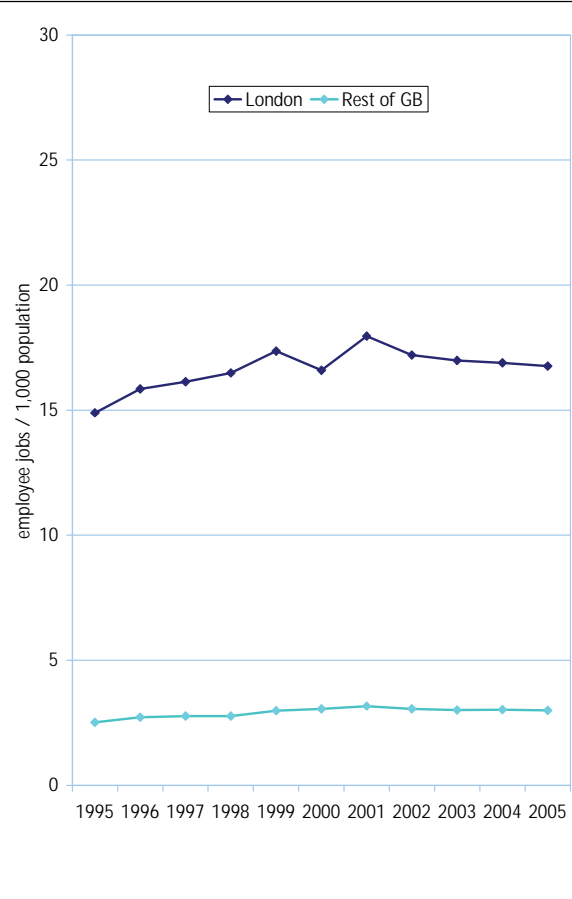


Figure 6: Employee jobs in ‘media and publishing’ by region 2005



London’s role as the political centre of the UK and its major city is clearly a major reason for its specialisation in media and publishing, leading to all the national newspapers being based in London together with the BBC and other television broadcasters. Table 3 shows this employment category disaggregated with London having higher employment throughout.

Table 3: 'Media and publishing' employee jobs per 1,000 residents, 2005

	London		Rest of GB
Total Media and Publishing	17		3
Motion picture and video activities (SIC 921)	3		0
Radio and television activities (SIC 922)	5		1
News Agency Activities (SIC 924)	1		0
Publishing (SIC 221)	8		2
Reproduction of recorded media (sic 223)	0		0

The high relative employment signifies that London produces 'media and publishing' goods and services that are exported either to other UK regions or abroad. The majority of these exports are mostly to the other regions of the UK. However, some exports abroad also occur. In 2006, UK exports of audiovisual and related services totalled £1.4bn whilst royalties from film and television were worth another £1.0bn.

Whilst it is not of the same scale as the 'financial services' sector in terms of employment and wealth generation in London, the 'media and publishing' sector is nevertheless a useful specialisation for London, providing direct employment whilst also generating demand for other London produced goods and services.

High value business services

'High value business services' is another key area of specialisation for London with 63 jobs per 1,000 residents compared to just 27 jobs per 1,000 residents in the rest of GB.

The category is made up of business services that require high skills amongst staff, that are knowledge based, and can potentially be exported. It includes jobs in the fields of IT, legal activities, accounting, market research, management consultancy, architecture, engineering consultancy and advertising.

Across the UK overall, demand for 'high value business services' totalled £187bn in 2004¹⁶; exports accounted for 11 per cent of this total but the vast majority of demand was in the form of business to business intermediate consumption. As Figure 7 shows, employment in 'high value business services' has risen across both London and the rest of GB over the past decade.

¹⁶ ONS: United Kingdom Input-Output Supply and Use Tables, 2004



Figure 8 shows that all regions of GB, except Wales, have at least 20 jobs per 1,000 residents in the 'high value business services' sector. This reflects the fact that each region will have demand for the services of lawyers, accountants etc., from business, and to a lesser extent from government and consumers.

London, however, has significantly higher employment than other regions in 'high value business services' as shown in Figures 7 and 8. There are two key explanations for this:

- The agglomeration benefits of close proximity are important for many firms in this sector. Location in London allows proximity to other business service firms together with proximity to London's 'financial services' and 'media and publishing' specialisms. In particular, the 'financial services' sector is responsible for over 10 per cent of total UK demand for lawyers, accountants, IT and advertising agencies.
- London has developed sufficient expertise in a number of the occupations within 'high value business services' such that it has become an exporter of these services to other parts of the UK and internationally.

Export data for 2006 shows that the value of UK exports in the 'high value business services' sector include: £6.5bn in computer and information services; £5.1bn in business management

and management consultancy; £4.8bn in architectural, engineering and other technical services; £2.6bn in legal services; £2.1 bn in advertising and market research and £1.3bn in accountancy services¹⁷. The employment data suggests that a significant share of these UK exports will originate from London.

Outside of London, Figure 8 shows the South East has the most ‘high value business services’ employee jobs with 43 per 1,000 residents due mainly to high levels of employment in IT as well as above average employment in business and management consultancy. All other regions have between 20-29 employee jobs per 1,000 residents in ‘high value business services’ with the exception of Wales which lags behind with just 15 employee jobs per 1,000 residents.

The fact that the South East is the only region outside of London with clear specialisations in ‘high value business services’ would appear to suggest that in this regard it may be benefiting from its location near to London.

Table 4: ‘High value business services’ employee jobs per 1,000 residents, 2005

	London		Rest of GB
Total High Value Business Services	63		27
Computer and related activities (SIC 72)	14		8
Legal activities (SIC 7411)	11		4
Accounting, book-keeping and auditing activities; tax consultancy (SIC 7412)	8		3
Market research and public opinion polling (SIC 7413)	3		1
Business and management consultancy activities (SIC 7414)	11		4
Management activities of holding companies (SIC 7415)	4		2
Architectural and engineering activities and related technical consultancy (SIC 7420)	7		5
Technical testing and analysis (SIC 743)	1		1
Advertising (SIC 744)	4		1

Table 4 shows that within London, IT is the largest employment sector amongst the ‘high value business services’, followed by legal activities, business consultancy and accounting.

For IT, there are 14 jobs per 1,000 residents in London compared to 8 in the UK overall. However, London is actually outperformed in the IT sector by the South East, which has 16 jobs per 1,000 residents.

By contrast, for legal activities, business consultancy, and accountancy jobs, London is the clear leader in terms of employment in the UK. For example, as Table 4 shows, London has 11 employee jobs in business and management consultancy activities per 1,000 residents whilst the rest of GB has only 4 employee jobs per 1,000 residents.

¹⁷ ONS: Pink Book 2007

Table 4 also shows that there is a similar specialisation for London in advertising and market research although the numbers of overall jobs are lower in these sectors.

Support business services

Figure 9 shows that 67 employee jobs per 1,000 residents exist in ‘support business services’ in London compared to only 39 employee jobs per 1,000 residents in the rest of GB.

This category includes business services that generally require only low qualifications amongst staff and that exist in a local context to supply other businesses with services such as post, catering, labour, security, cleaning and rental services.

Figure 9: Employee jobs in ‘support business services’, London and the rest of GB, 1995-2005

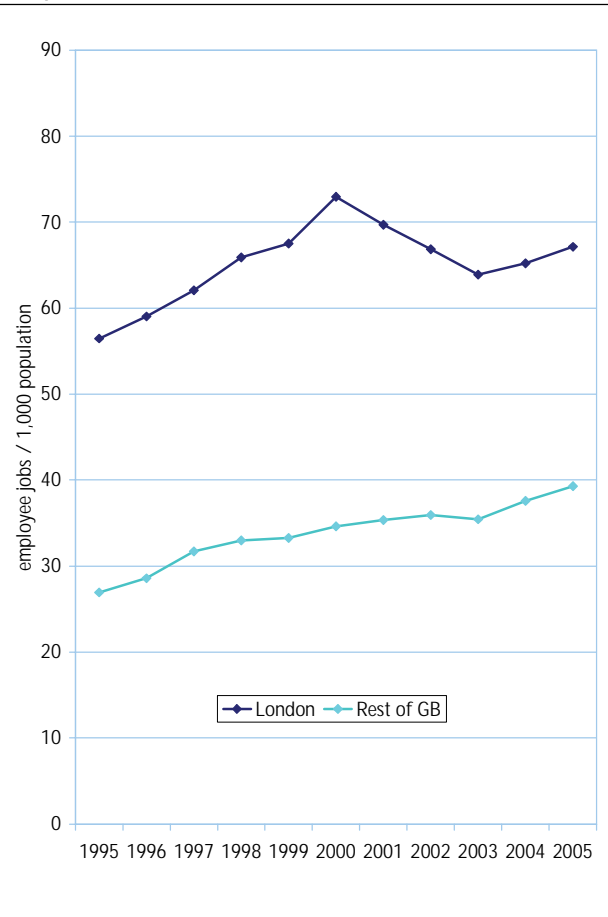
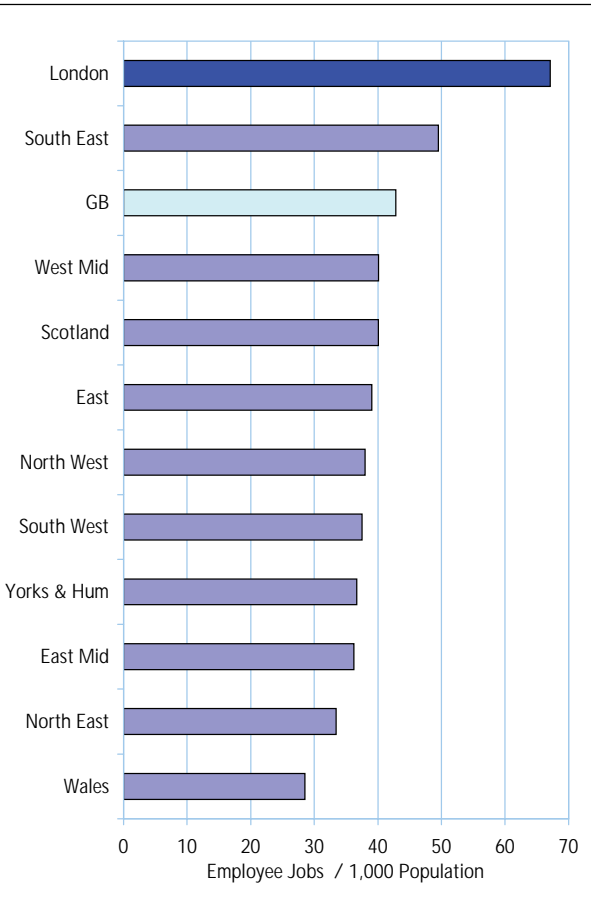


Figure 10: Employee jobs in ‘support business services’ by region 2005



‘Support business services’ are not services that are easily tradeable. Instead they tend to be delivered and consumed within the same region. Thus, higher employment in ‘support business services’ in London relative to the rest of GB must reflect higher local demand for these services in London than in other regions.

This result is to be expected. Demand for most of these services is generated through office-based firms in other sectors who create the requirement for security, catering, contract staff and cleaning via their intermediate consumption expenditure. As this report has shown,

London has much higher employment in the office-based sectors of ‘financial services’, ‘high value business services’ and ‘media and publishing’ than does any other region and therefore demand for ‘support business services’ will be significantly higher in London than in other regions. This is reflected in the employment figures.

Table 5: ‘Support business services’ employee jobs per 1,000 residents, 2005

	London	Rest of GB
Total ‘Support Business Services’	67	39
Postal and Courier Services (SIC 641)	6	5
Catering (Sic 5552)	7	4
Labour recruitment and provision of personnel (SIC 745)	21	12
Investigation and security (SIC 746)	5	2
Industrial Cleaning (SIC 747)	13	7
Renting of machinery and equipment without operator and of personal and household goods (SIC 71)	2	3
Packaging Activities (sic 7482)	0	0
Secretarial and Translation Activities (sic 7485)	2	1
Miscellaneous business activities not elsewhere classified (SIC 7487)	11	5

Table 5 confirms that London has higher employment than the rest of GB in catering, security and industrial cleaning activities as would be expected given London’s high overall level of office-based employment.

Additionally, a significant amount of ‘support business services’ employment is through London having more workers doing agency work. These are shown in Table 5 in the labour recruitment category. These labour recruitment agencies are included in the ‘support business services’ because they have workers on their books to fill temporary vacancies in other London businesses. The workers themselves, however, may be involved in many different professions. London’s higher level of agency workers relative to the rest of GB would tend to suggest a more flexible workforce in London enabling employers to hire people on a temporary basis when required.

Outside of London, the South East has the most local business services employees relative to population and Wales the least. Again this supports the idea that demand for ‘support business services’ stems largely from the amount of office development in a region.

Manufacturing and primary

The ‘manufacturing and primary’ category includes all industries in sections A-D of the Standard Industrial Classification with the exception of publishing which is included in this report in the ‘media and publishing’ category. Sections A-D of the SIC include agriculture, fishing, mining and manufacturing.

In 2005, there were just 20 employee jobs per 1,000 residents in ‘manufacturing and primary’ in London compared to a significantly higher 59 employee jobs per 1,000 residents in the rest of GB. As such, any manufacturing specialisms within Great Britain tend to occur outside of London and not within London.

However, as Figure 11 shows, employment in the ‘manufacturing and primary’ sector is declining in both London and the Rest of the UK, a continuation of a trend that has been apparent for over two decades.

Figure 11: Employee jobs in ‘manufacturing and primary’, London and the rest of GB, 1995-2005

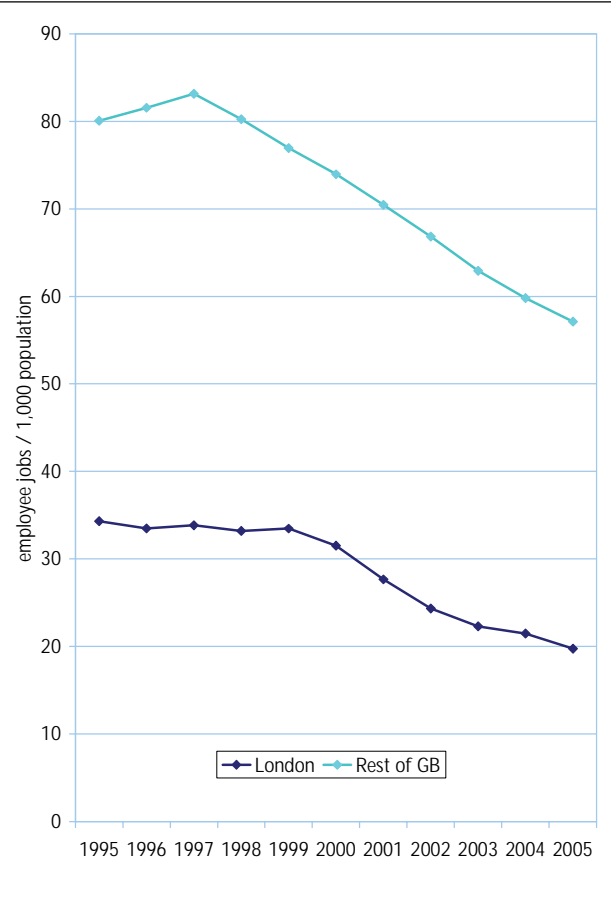
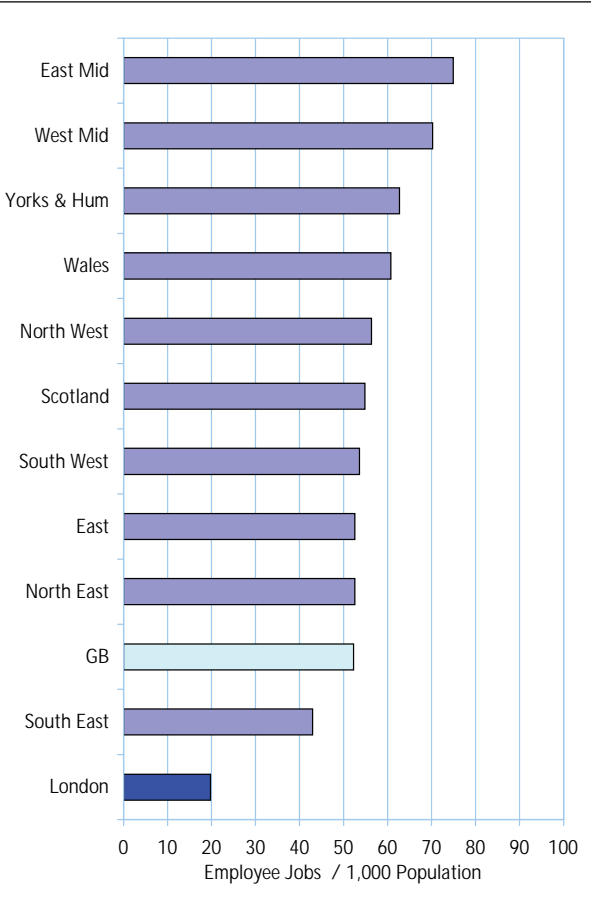


Figure 12: Employee jobs in ‘manufacturing and primary’ by region 2005



The ‘manufacturing and primary’ sector is one that has traditionally been the main source of export income for GB and its regions. In the case of London this is no longer the case. For every one manufacturing job in London there are now eight jobs in financial, business or other services. For other GB regions, however, manufacturing continues to play an important role in regional economies both through its direct employment and also as an important source of export income which can feed into employment elsewhere in their regional economies via multiplier effects. This remains true despite the declines in employment witnessed across all GB regions over the past decade. This is because during the same period the value of international exports of goods from the UK has continued to rise, with average

annual growth of 5.0 per cent per annum in the value of goods exports over the 1995-2006 period¹⁸.

Figure 12 shows that the East Midlands, which has specialisms in food manufacturing and textiles, and the West Midlands, which has specialisms in metals and transport manufacture, have the most employment in 'manufacturing and primary' relative to population out of the GB regions. Outside of London, the South East has the least employment in manufacturing relative to its population. However, it still has more than double London's level of 'manufacturing and primary' employment relative to its population.

Table 6: 'Manufacturing and primary' employee jobs per 1,000 residents, 2005

	London		Rest of GB
Total Manufacturing and primary	20		57
printing (not publishing)	3		3
food/tobacco	4		7
machinery	3		11
chemical	2		9
metals	1		7
other	1		3
textile	1		2
transport	1		6
wood	0		1
leather	0		0
coke	0		0
pulp/paper	0		1
Agriculture/Forestry/Fishing	0		5
Mining / Oil	0		1

Table 6 shows that in manufacturing sectors such as machinery, chemicals, metals and transport manufacture, the rest of GB has significantly more employment than London. Even in the food sector, which is London's largest employer in the manufacturing sector, there are still more people employed in this industry outside of London relative to population than within it. Jobs in agriculture are of course few and far between in London. However, agriculture is not a major employment sector even in the rest of GB with on average 5 employee jobs in this sector per 1,000 residents across the rest of GB.

Distribution

This category is defined as employment related to the movement and storage of goods, which includes wholesale activities, freight and logistics.

¹⁸ ONS: Pink Book 2007: This compares to average annual growth of the value of services exports of 8.7 per cent per annum over the same period.

Overall employment levels in 'distribution', relative to population, are almost identical in London compared to the rest of GB as shown in Figure 13. However, Figure 13 also shows that London has seen a decline in 'distribution' employment, relative to population, over the 1995-2005 period.

Figure 13: Employee jobs in 'distribution', London and the rest of GB, 1995-2005

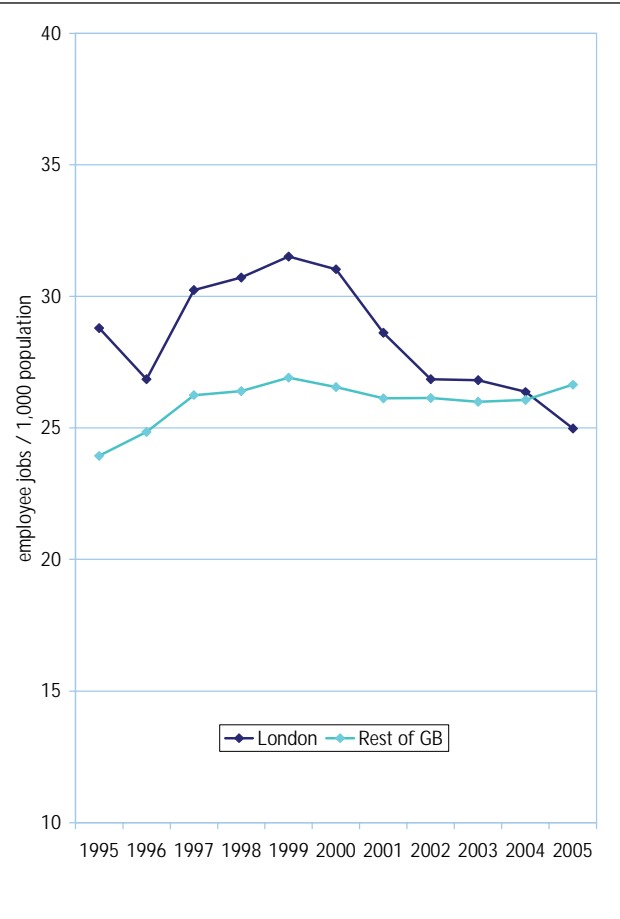
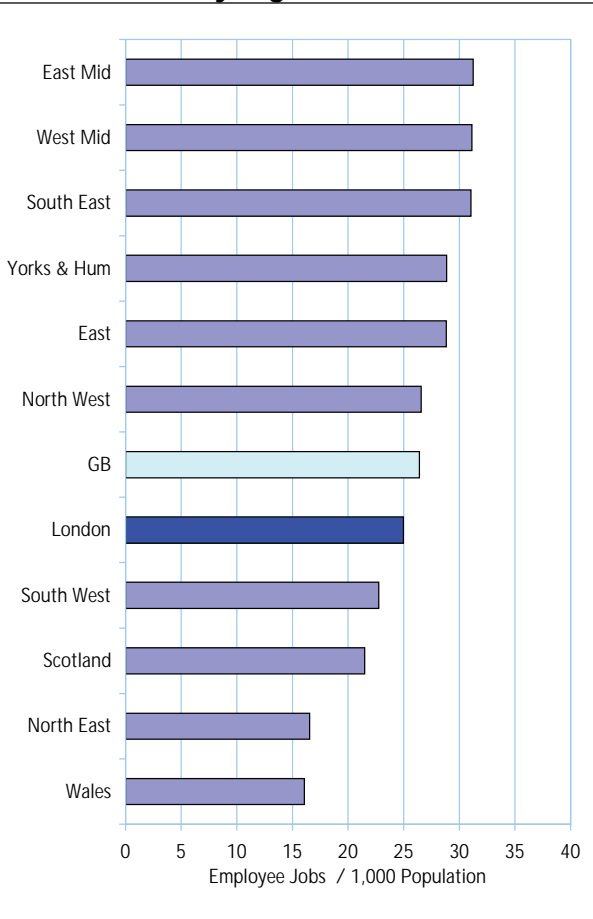


Figure 14: Employee jobs in 'distribution' by region 2005



In terms of the role of 'distribution' in the economy, it is a sector that has a localised focus in the sense that goods are delivered to and within each region. Nevertheless, in terms of employment it is possible for an area to specialise in the sector to some degree, for example through providing warehousing space from where deliveries are made to other regions.

Figure 14 shows that in general the areas with the greatest employment in 'distribution' are those located towards the centre of Great Britain, such as the East Midlands and the West Midlands or regions connecting London to European markets, such as the South East and East regions. By contrast, regions located towards the northern and western extremities of Great Britain tend to have lower employment levels in this sector, for example Wales, the North East, Scotland and the South West.

Table 7: 'Distribution' employee jobs per 1,000 residents, 2005

	London	Rest of GB
Total Distribution	25	27
<i>Wholesale trade and commission trade (SIC 51)</i>	21	19
<i>Freight/Logistics SIC 6024,61, 631</i>	4	8

London has significantly fewer jobs in the transport area of distribution but has more jobs than the rest of GB in the wholesale and commission trades relative to its population.

Consumers spending their £s

The 'consumers spending their £s' category is based on consumer expenditure on retail and leisure activities. Key to this category is that employment within it in a region will be highly dependent on the amount of spending that takes place on retail and leisure within the region itself. Thus, for any region there are two main sources of expenditure that provide the demand, and thus create employment, for this category. These are:

- 1 expenditure by local residents on consumer goods and services in the region in which they live; and
- 2 expenditure by tourists visiting the region from abroad or from other GB regions.

In other words, this category includes employment that is primarily financed by consumers (including tourists) spending income within a region. In terms of the spending of local residents, the sectors within this category in effect compete for a share of total household consumption spending with each other as well as with the 'property' and 'media and publishing' categories discussed elsewhere.

Over the past decade, employment in the 'consumers spending their £s' category has increased in both London and the rest of GB. Underlying this has been a decline in the households' saving ratio in the UK which has declined from 10.2 per cent in 1995 to 5.0 per cent in 2006. This has enabled households final consumption expenditure to grow at an average annual rate of 3.3 per cent per annum over the 1995-2006 period in the UK despite the fact that real disposable household income only grew at an annual average of 2.6 per cent over the same period¹⁹.

Overall, in the 'consumers spending their £s' sector, London has more employment relative to population than the rest of the UK, with 117 employee jobs per 1,000 residents in London and 106 employee jobs per 1,000 residents in the rest of GB. However, the gap between

¹⁹ Economic and Labour Market Review - August 2007: Table 1.07 Households' disposable income and consumption

London and the rest of GB has declined to some degree over the past decade as shown in Figure 15.

Figure 15: Employee jobs in 'consumers spending their £s', London and the rest of GB, 1995-2005

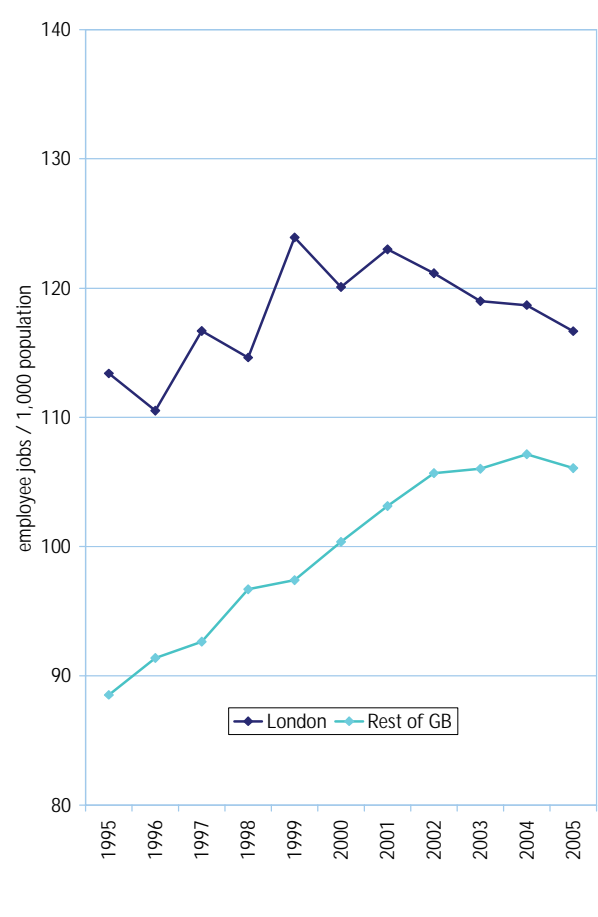
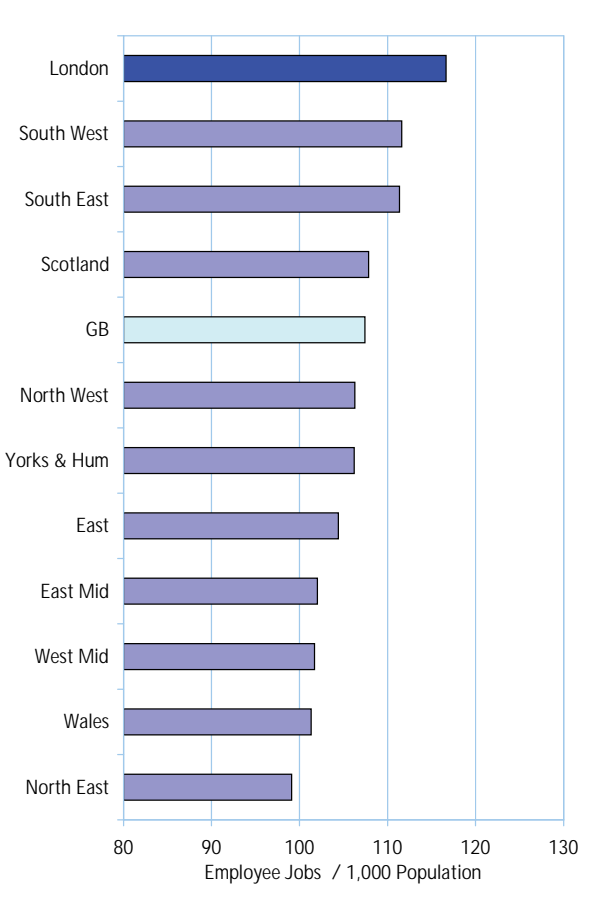


Figure 16: Employee jobs in 'consumers spending their £s' by region 2005



The fact that London has the most employment relative to population in this category is not surprising for two main reasons. Firstly, on average London's residents earn higher average incomes than residents in other regions of GB (due mainly to the existence of London's successful 'financial' and 'high value business service' sectors), which are then available for consumer spending. Secondly, London attracts more international tourists, and thus more tourist expenditure, than other GB regions.

However, despite the fact that Londoners are paid higher wages on average than residents in the rest of GB and the fact that London also attracts many tourists, there are also a number of factors that limit consumer spending in London and thus employment in London in these consumer sectors. Firstly, the high level of in-commuting means that some of the money earned within London is spent in neighbouring regions rather than in London itself. Secondly, a high level of outbound tourism by Londoners is another reason why income earned in London may be spent elsewhere. Finally, much of the additional income accruing

to Londoners through higher salaries is spent on housing, rather than retail, or leisure goods and services²⁰.

Indeed, household expenditure data shows that in London, spending on household goods, clothing and food is only slightly higher than elsewhere in the UK²¹. This will be the partial explanation for the fact that in the retail sector, there is no difference between the number of employee jobs relative to population in London and in the rest of GB despite the higher average incomes of Londoners.

However, one leisure activity on which Londoners do spend significantly above the UK average is that of visiting restaurants²². This is borne out by Table 8, which shows that there are 19 employee jobs per 1,000 residents in restaurants in London compared to 9 employee jobs per 1,000 residents elsewhere in GB. Business and tourist expenditure on restaurant meals will be acting to supplement higher spending by London residents on restaurants. Theatre is another consumer sector in which London has a specialisation. It is responsible for much of the additional London employment in the 'Other entertainment activities' sector listed in Table 8.

Table 8: 'Consumers spending their £s' employee jobs per 1,000 residents, 2005

	London	Rest of GB
Total 'Consumers Spending their £s'	117	106
Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods (SIC 52)	50	50
Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel (SIC 50)	6	10
Hotels/Accommodation (SIC 551,552)	7	6
Restaurants (Sic 553)	19	9
Bars (Sic 554)	8	10
Canteens (SIC 5551)	0	0
Other entertainment activities (SIC 923)	4	1
Library, archives, museums and other cultural activities (SIC 925)	2	1
Sporting activities (SIC 926)	4	5
Other recreational activities (SIC 927)	3	2
Other service activities (SIC 928)	6	5
Activities of travel agencies (SIC 633)	3	2
Photography Services (SIC 7481)	1	0
Activities of trade unions/other membership organisations (SIC 912/913)	4	3

Outside of London, Figure 16 shows that it is the South East and South West regions that have the highest levels of 'consumers spending their £s' employment relative to population.

²⁰ ONS: Family Spending 2005 Edition: Table A35 Household Expenditure by UK Countries and Government Office Regions.

²¹ ONS: Family Spending 2005 Edition: Table A35 Household Expenditure by UK Countries and Government Office Regions.

²² ONS: Family Spending 2005 Edition: Table A35 Household Expenditure by UK Countries and Government Office Regions.

However, the reasons for this differ. In the case of the South East, the fact that this region has its own successful 'high value business services' sector and is also home to many residents who commute to well paid jobs in London is the most probable explanation. High average incomes of residents in the region flow via consumer spending in the region into higher employment in retail and leisure activities relative to other regions of the UK.

In the case of the South West, it is necessary to consider the other key factor that can generate employment in this category namely the expenditure of tourists visiting the area. High tourism spend in the South West region is the most likely reason why outside London it is the South-West of England that has the most employment in 'consumers spending their £s' relative to population. Disaggregated data shows that employment in retail and in hotels is above average in the South-West and supports the idea that tourism is largely responsible for this high level of consumer related employment in a region that is not otherwise characterised as a high-income area.

The lowest levels of employment relative to population in local consumer sectors is in the North East. This would be expected given relatively low average incomes in the region and relatively low levels of inbound tourism.

Property

Property related employment is another area in which London generates more employment than elsewhere in GB. In 2005, there were 15 employee jobs per 1,000 residents in London against 7 employee jobs per 1,000 residents in the rest of GB.

Figure 17 shows that there has been rising levels of employment in 'property' in both London and the rest of GB since 1995.

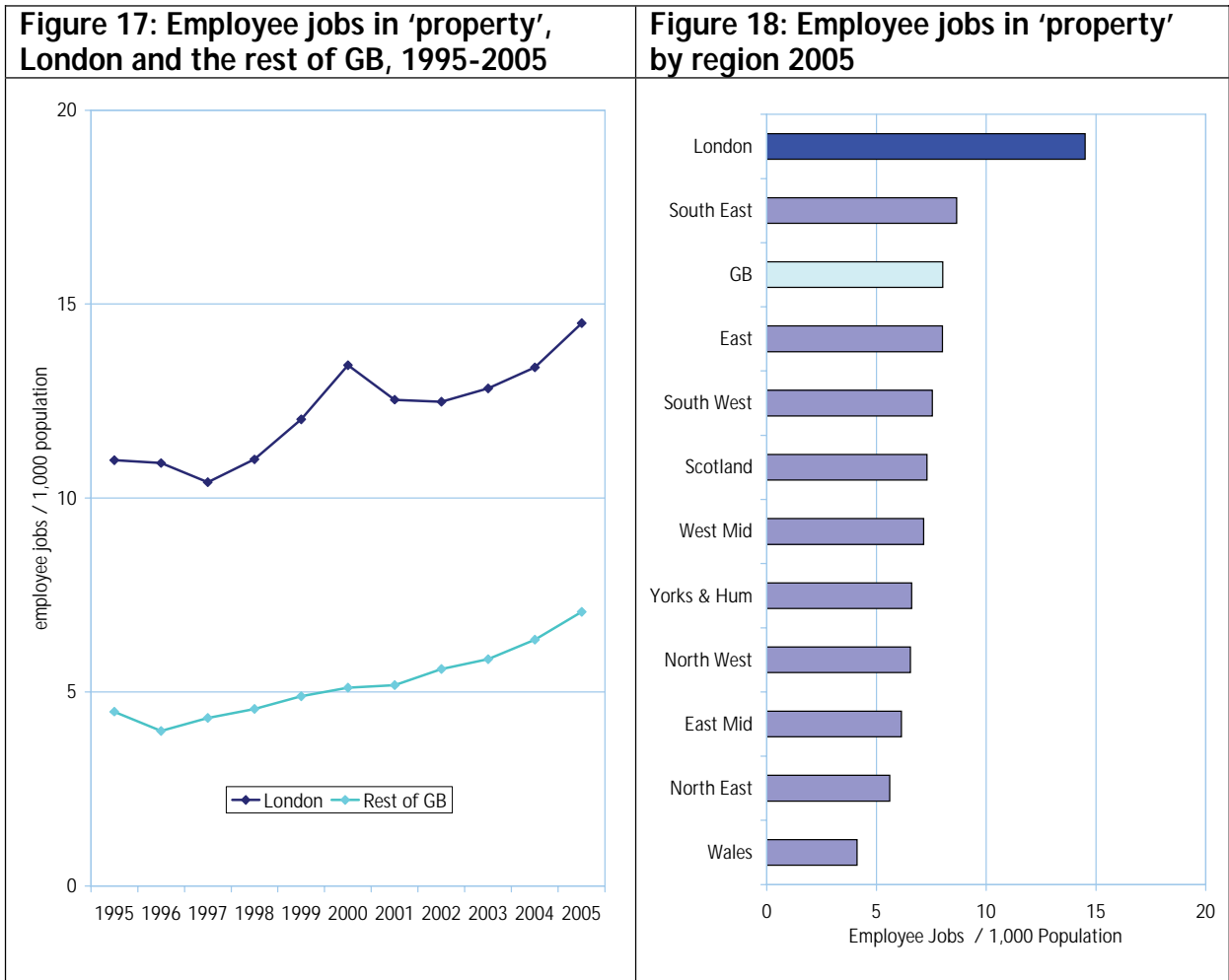


Figure 17 also shows that London has had more employment in 'property' than the rest of GB throughout the past decade. As Table 9 shows, London's higher level of property-related employment is true both of jobs that involve providing a service to others (eg, estate agents) and also of employment related to individuals' own buying and selling of property or letting out of property.

As mentioned previously, high house prices in London are one reason why higher wages in London do not necessarily feed into higher household spending on goods and services. Instead, Londoners spend more money on housing than people in other regions and this is reflected in the higher property related employment this creates.

Outside of London, Figure 18 shows that those regions closest to London have the most employment in property relative to population, namely the South East and East regions, whilst the least employment in property occurs in Wales with 4 employee jobs per 1,000 residents.

Table 9: 'Property' employee jobs per 1,000 residents, 2005

	London		Rest of GB
Total Property	15		7
Real Estate Activities with own property / letting of property (SIC 701/702)	8		4
Estate Agents (sic 703)	7		3

City building blocks

The 'city building blocks' category includes employment related to providing the infrastructure and transport services upon which a city or region operates. The category includes employment in utilities and sewerage, telecommunications infrastructure, construction and transport.

London has more employment in the 'city building blocks' category than other regions of GB relative to population. London has 48 employee jobs per 1,000 residents in this category compared to an average of 36 employee jobs per 1,000 residents elsewhere in GB.

Figure 19: Employee jobs in 'city building blocks', London and the rest of GB, 1995-2005

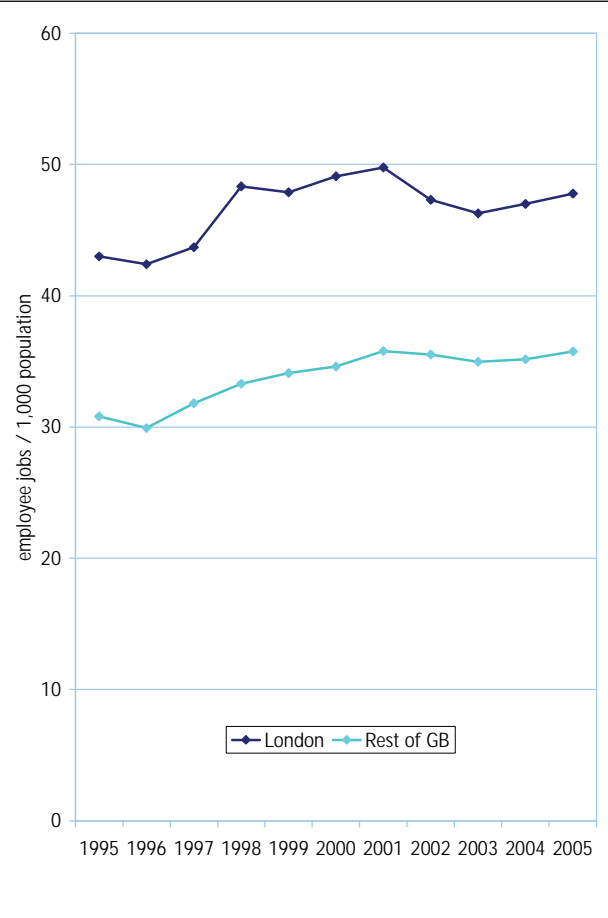
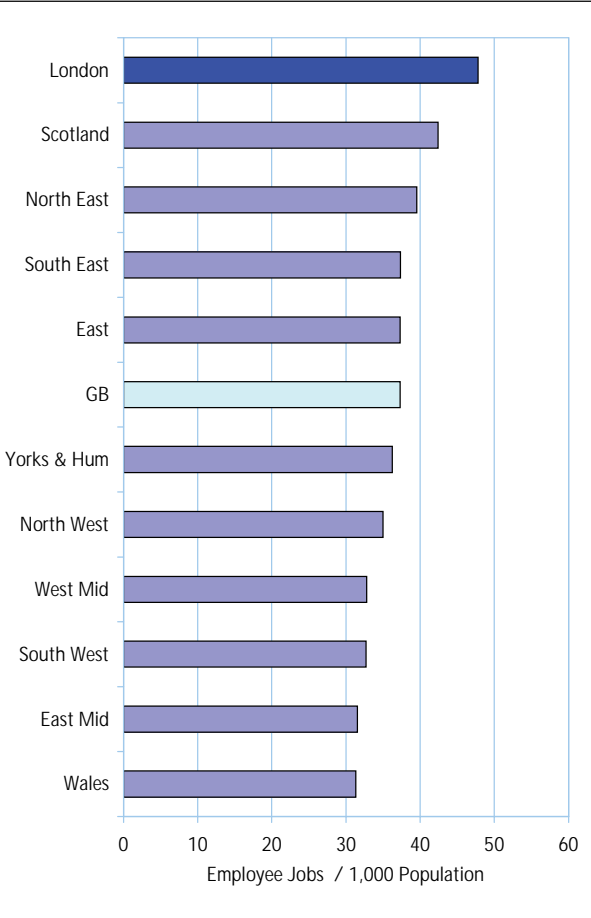


Figure 20: Employee jobs in 'city building blocks' by region 2005



The jobs collated in this category are all key for a city or region to function effectively. The expenditure that drives the employment in this category comes from a mix of government, consumers and business. Thus, for example, in the case of passenger transport services, this is funded mostly by individual consumers, but also via government subsidies and via business related travel which is an intermediate consumption.

Table 10: 'City building blocks' employee jobs per 1,000 residents, 2005

	London		Rest of GB
Total City Building Blocks (Infrastructure)	48		36
Utilities (SIC 40,41)	1		2
Construction (sic 45)	16		21
Recycling (SIC 37)	0		0
Telecommunications (SIC 642)	6		3
Transport excluding freight and travel agents	22		7
Sewage and refuse disposal, sanitation and similar activities (SIC 90)	2		2

Within the rest of GB, it is the construction sector that is the largest employer within this category and according to the data London has fewer employee jobs in construction than other GB regions. In reality, many construction jobs are self-employed, and these are not included in the employee jobs measure used in Table 10. Therefore, the results in regard to construction need to be treated with caution.

The data for the other sectors is more robust as self-employment plays a much smaller role in these sectors. Table 10 shows that the key area in which London has significantly more employee jobs than other areas of GB is in transport. In particular, public transport and air transport. In both these areas of the transport sector, employment in London is significantly higher than is the case elsewhere in GB. The net result is that London has 22 employee jobs per 1,000 residents in passenger transport whilst all other regions of GB have only between 5-9 employee jobs per 1,000 residents in the transport sector.

Research and skills

'Research and skills' includes higher and adult education, research and development activity and the activities of business, employers and professional organisations. These sectors have been grouped together as they are all linked to efforts to increase innovation and productivity through either research or training or dissemination of information.

London has slightly more employment in the 'research and skills' category than the average across the rest of GB, with 18 employee jobs per 1,000 residents in London compared to an average of just above 15 employee jobs per 1,000 residents in the rest of GB (see Figure 21). Employment in 'research and skills' has been steadily rising throughout the past decade both in London and the rest of GB on the back of the ongoing expansion of higher education.

Figure 21: Employee jobs in 'research and skills', London and the rest of GB, 1995-2005

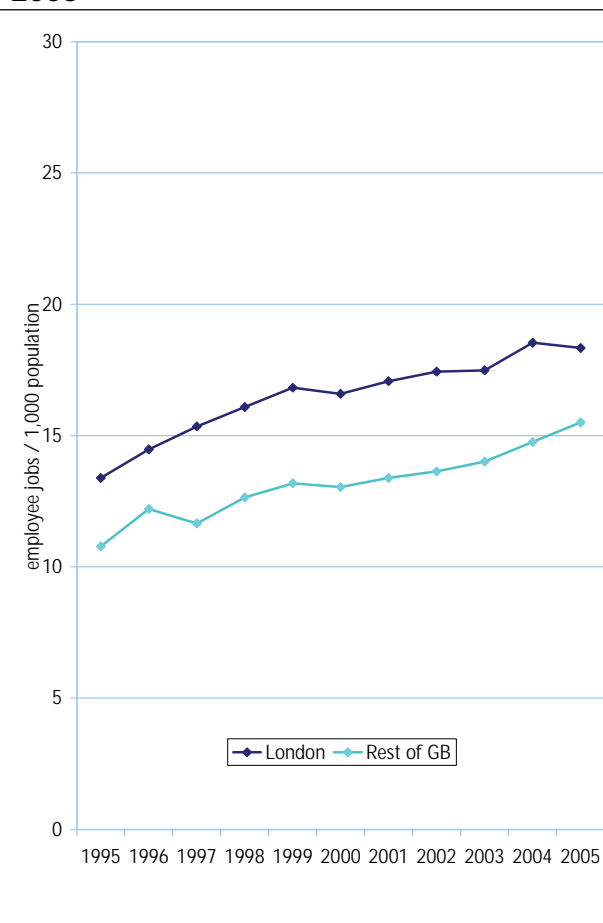
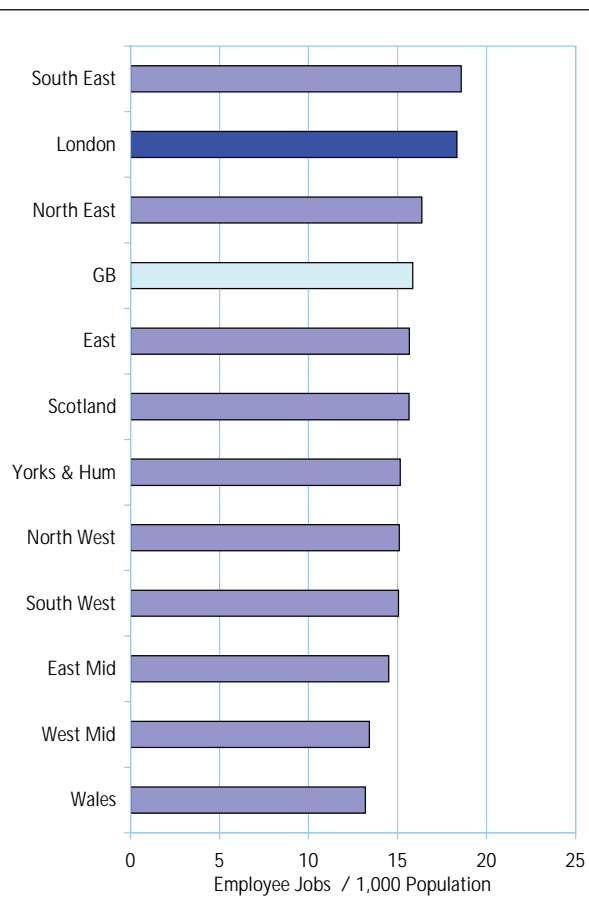


Figure 22: Employee jobs in 'research and skills' by region 2005



Overall across GB, as Figure 22 shows, employment in 'research and skills' in 2005 was relatively evenly spread across regions with most having close to the average of around 15 jobs per 1,000 residents in this category. The South East region has the highest level of employment, partly because it has most employment in the SIC category 'research and development' of all the regions in GB, including London.

Table 11: 'Research and skills' employee jobs per 1,000 residents, 2005

	London	Rest of GB
Total 'Research and Skills'	18	15
Higher/Adult Education (SIC 803/804)	15	13
Research and development (SIC 73)	2	2
Activities of business, employers and professional organisation (SIC 911)	2	0

As Table 11 shows, the vast majority of employment in this category lies within the ‘higher and adult education’ sector. As such, ‘research and skills’ is primarily a public sector funded employment category.

Health and education

Employment in health and (primary and secondary) education per 1,000 residents is lower in London (77 employee jobs per 1,000 residents) than the average across the rest of GB (85 employee jobs per 1,000 residents).

Figure 23: Employee jobs in ‘health and education’, London and the rest of GB, 1995-2005

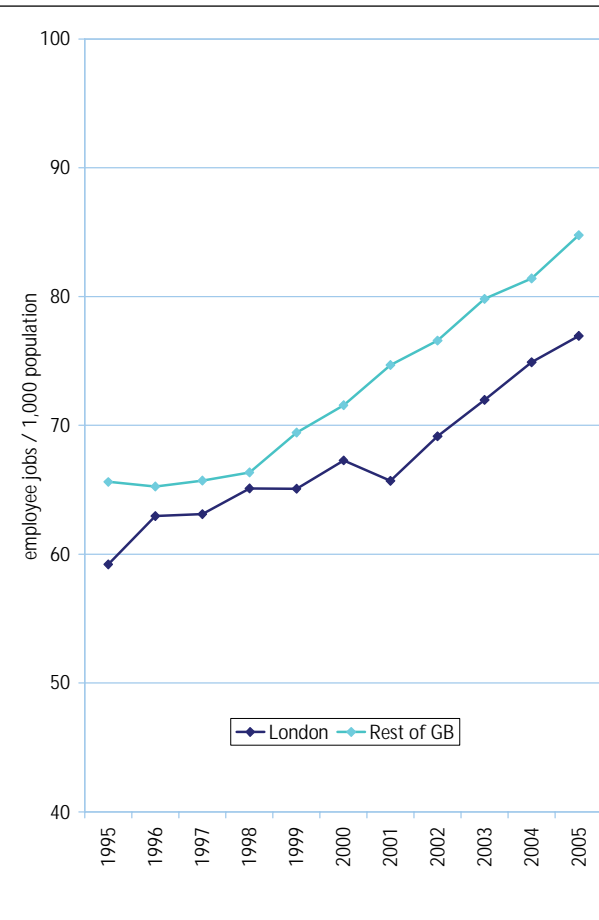
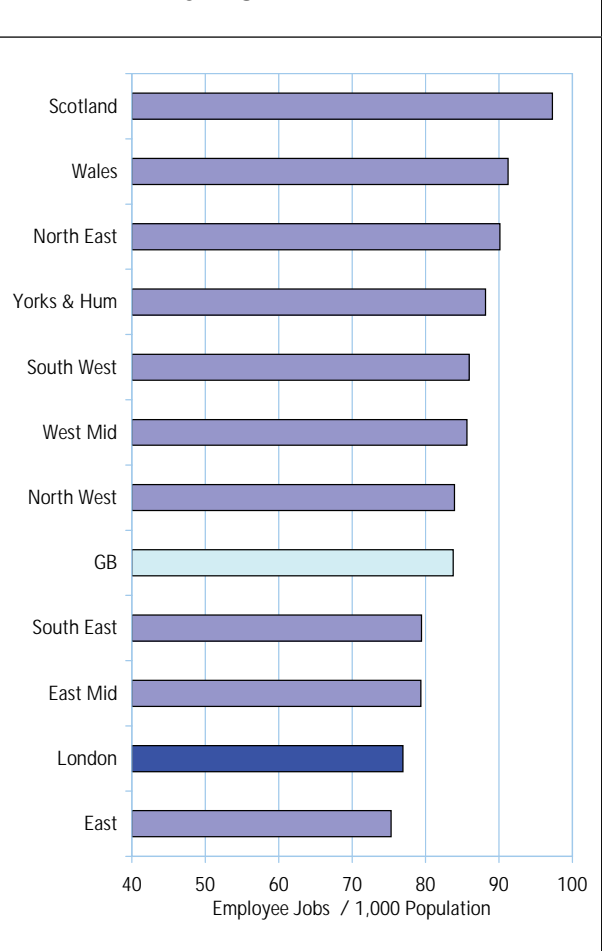


Figure 24: Employee jobs in ‘health and education’ by region 2005



It can be seen in Figure 23 that employment in the ‘health and education’ sector has increased sharply in both London and the rest of GB since 1998. Figure 23 also shows that London has fallen slightly behind the rest of GB over this period in terms of its employment relative to population in this sector. This may partly be due to the more rapidly rising population within London over this period.

In general, it would be expected that the amount of employment relative to population in this sector would be largely constant throughout the country. However, Figure 24 does show some differences amongst regions with London towards the lower end in employment in

'health and education' and Scotland having significantly higher employment in this sector than most other regions, due to high levels of employment in the health sector.

Table 14: 'Health and education' employee jobs per 1,000 residents, 2005

	London	Rest of GB
Total Health and Education	77	85
Primary/Secondary Education (SIC 801, 802)	25	29
Health and Social Work (SIC 85)	52	55

Table 14 shows the breakdown of employment into 'health and education'. London's employment relative to population is a little below the rest of GB average in each case.

Public administration

As the home of the UK government, it is unsurprising to find that London has more 'public administration' jobs relative to population than the rest of GB. The difference is not big however with 32 employee jobs per 1,000 residents in London compared to 23 employee jobs per 1,000 residents across the rest of GB (see Figure 25).

Figure 25: Employee jobs in 'public administration', London and the rest of GB, 1995-2005

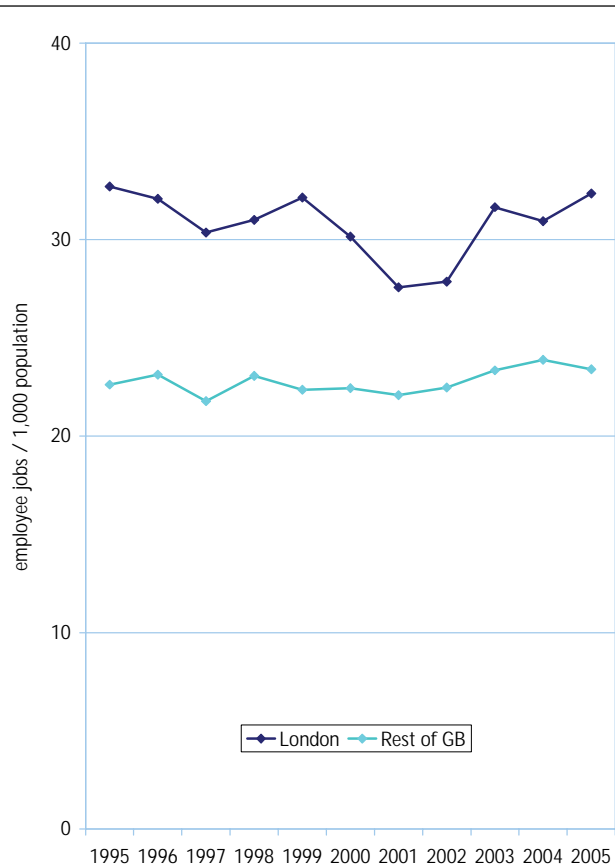


Figure 26: Employee jobs in 'public administration' by region 2005

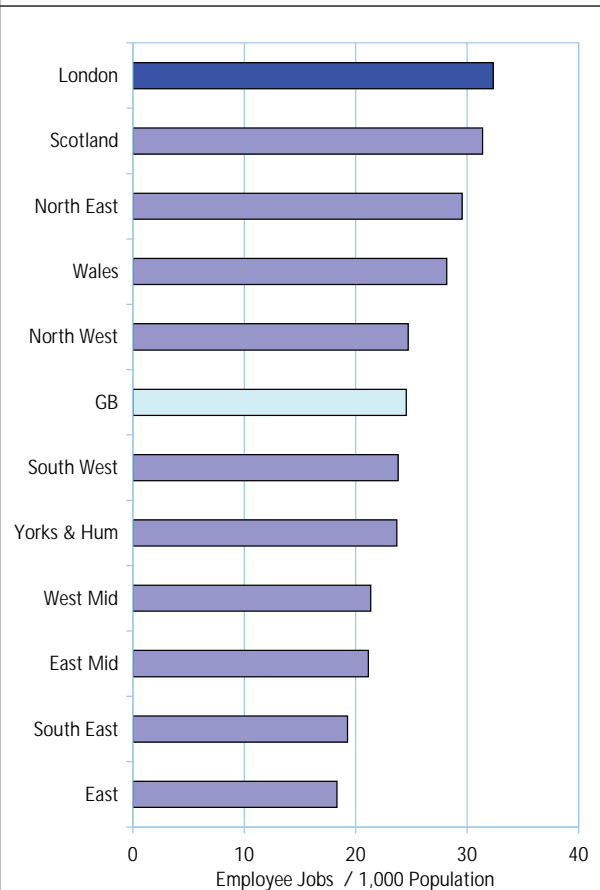


Figure 26 shows that employment in ‘public administration’ is at similar levels to London in Scotland and also relatively high in both the North East and Wales. Employment in ‘public administration’, however, is relatively low in the South East and East of England regions.

Table 13: ‘Public administration’ employee jobs per 1,000 residents, 2005

	London		Rest of GB
Total Public Administration	32		23
Administration of the State and the economic and social policy of the community	19		15
Provision of services to the community as a whole	13		8
Compulsory social security activities	0		1

Employment in public administration includes jobs in both national and local government together with employment in roles such as the police and in various public sector quangos.

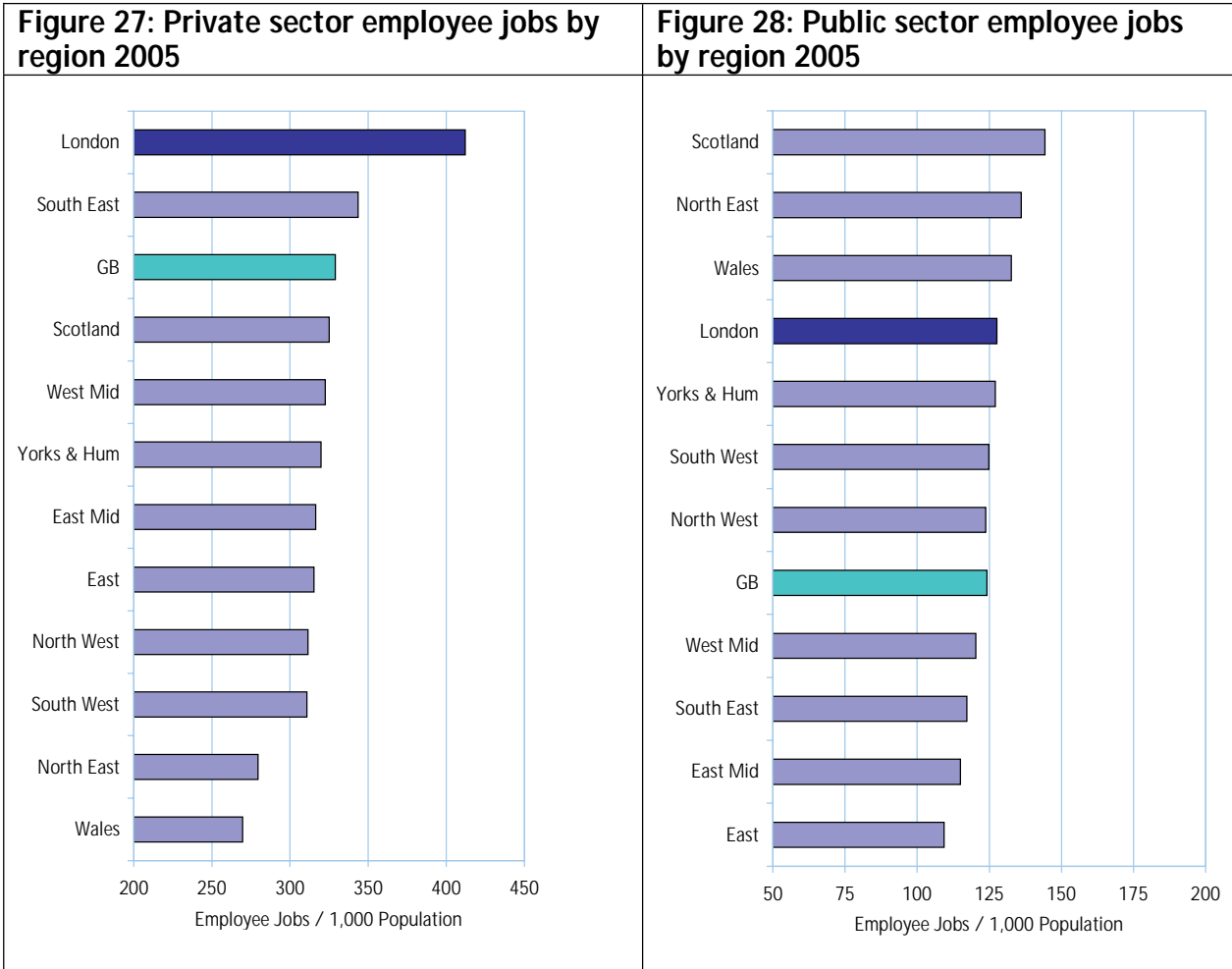
Private sector/public sector employment

In Figure 2 on page 14, data on total employment by region was presented. This showed that London had the highest number of jobs relative to population of all the GB regions. Having now examined each of the 12 employment categories in turn, it is possible to examine the degree to which each region has been able to create private sector jobs and the degree to which it is reliant on public sector jobs. To do this it is assumed that all employment in the ‘health and education’, ‘public administration’ and ‘business knowledge build’ sectors are public sector employment and all employment in the other nine categories are private sector employment. This is obviously a simplification but it should nevertheless be a fairly accurate proxy for the actual private sector/public sector employment split.

In general it would be expected that regions which have a high level of private sector jobs will tend to be regions in which there are some strong export sectors in the local economy that can feed income into the region whether this be from abroad or from other GB regions.

As Figure 27 shows, London has substantially more private sector jobs than other regions, with 412 private sector employee jobs per 1,000 residents against a GB average of 329 private sector employee jobs per 1,000 residents. This suggests that London’s export sectors in ‘financial services’, ‘high value business services’ and ‘media and publishing’ do indeed bring substantial employment benefits to the region.

Outside London, the South East has the most private sector employee jobs relative to its population. Most other GB regions then have a very similar number of private sector employee jobs relative to their populations, all in the range of 311-325 private sector employee jobs per 1,000 residents. The two exceptions are the North East and Wales which both have 280 and 270 private sector employee jobs per 1,000 residents respectively. This would suggest that both these regions may lack strong export sectors to bring income and expenditure into their regions.



In terms of public sector employment, most regions are close to the GB average of approximately 125 public sector jobs per 1,000 residents. This includes London which is near to the average because it has higher than average ‘public administration’ employment balancing lower than average ‘health and education’ employment.

Scotland is the region with the most public sector employment due largely to high employment levels in the ‘health and social work’ sector.

Wales and the North East also both have slightly above average public sector employment, although the difference to the GB average is not particularly large. However, their share of public sector employment compared to their total employment is obviously higher than other regions due to their lower levels of private sector employment.

Section C: Summary of results

Comparison of London with the rest of GB

Figure 29 shows the comparison for 2005 between employee jobs in London and employee jobs in the rest of Great Britain, summarising the data introduced in Section B²³.

Figure 29: Employee jobs – comparing London and the rest of GB

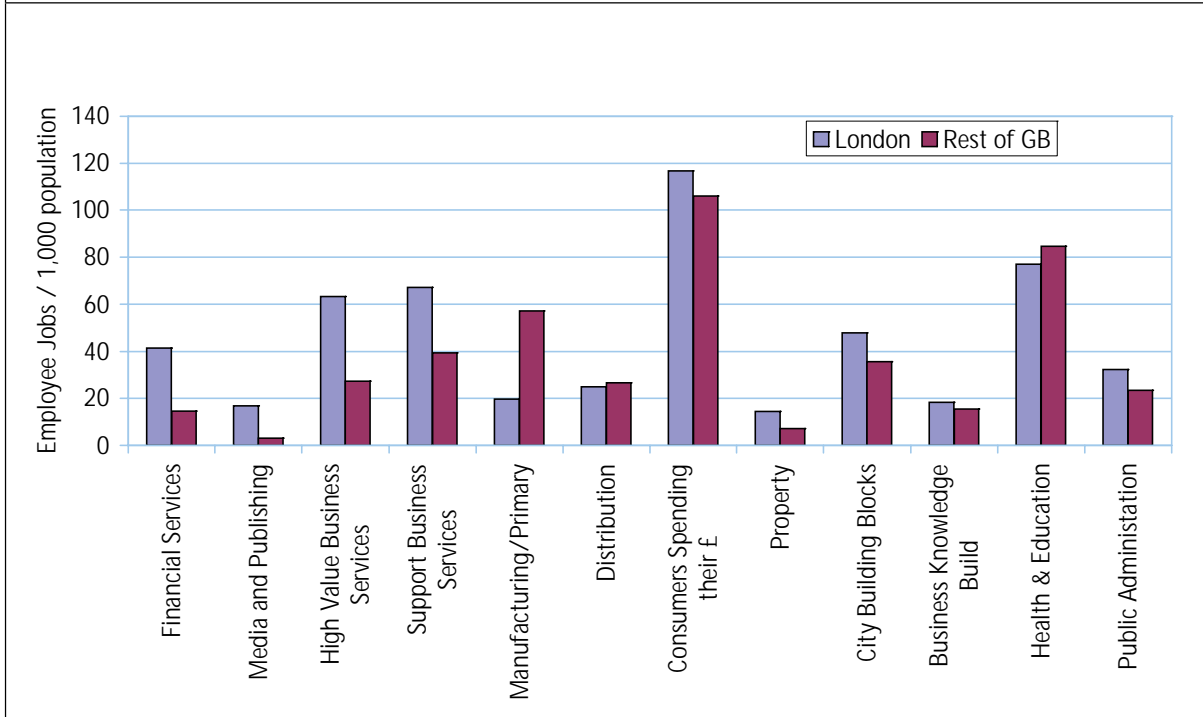


Figure 29 and the analysis in Section B has shown that:

The London economy has created significantly more jobs than the rest of the UK relative to its population. This supports the view of London as a major creator of employment within the UK economy and it's most important economic centre.

London has a clear specialisation in 'financial services', in 'media and publishing' and in 'high value business services'. These are all sectors in which London exports to other regions and internationally, bringing substantial income into the London economy. Furthermore, these sectors all have the potential for ongoing output and employment growth in London provided London continues to be seen as a good place to locate such businesses.

This high level of office-based employment creates the demand for 'support business services'. As a result, London also has substantially more employment in this category than the rest of GB.

²³ Based on ABI Workplace data.

In contrast to the specialisms described above, London has relatively few jobs in 'manufacturing and primary' industries compared to elsewhere in GB. This reflects the massive decline seen in manufacturing employment within London over recent decades and additionally shows how manufacturing remains a more important part of the economy across the rest of GB than it does within London.

London has greater employment relative to population in sectors related to local consumer spending (consumers spending their £s). This will reflect the greater wealth (on average) of consumers in London compared to the rest of GB due to higher average wages, together with the higher level of tourist visits into London relative to the rest of GB.

The amount of additional employment in the 'consumers spending their £s' category is however limited by the fact that more of Londoners' incomes is spent on housing than is the case elsewhere in GB. This fact is reflected in the existence of more property-related jobs in London than in other GB regions.

There are also more passenger transport related jobs in London than in other regions, which explains London's higher employment within the 'city building blocks' category.

Overall, the results for these categories combine to show that London generates significantly more private sector jobs than the rest of the UK with financial services, business services, and media and publishing all key sectors in which London specialises in contrast to the rest of GB.

Employment in health and (primary and secondary) education per 1,000 residents is lower in London than elsewhere in GB.

As would be expected given that it is the home of the UK's national government, London has more jobs in government administration than other regions.

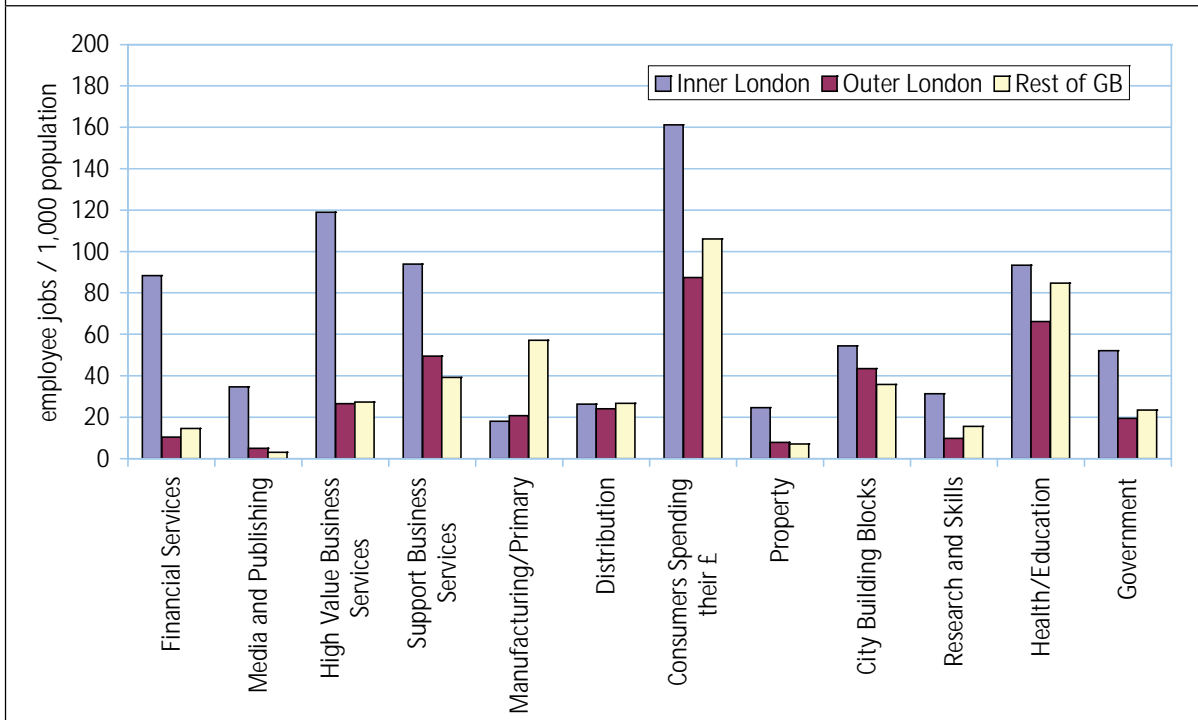
Employment in 'research and skills' (higher education, research and development etc.) relative to population is slightly higher in London than the rest of GB.

Overall, there is little difference between the amount of public sector jobs per 1,000 residents in London and the average amount of public sector jobs in the rest of GB. Although there are fewer jobs in health and education in London these are compensated for by the additional government administration jobs.

Comparison of Inner and Outer London

The method of analysing employment used in this report to compare the different UK regions can also be used to look at the respective performance of Inner London and Outer London. Figure 30 shows employment per 1,000 residents in Inner London and Outer London and compares both to the average situation in the rest of GB.

Figure 30: Employment in Inner London and Outer London, 2005



Previous analysis has shown that London creates more jobs than the rest of GB. Figure 30 shows that it is within Inner London that London excels at job creation. In 2005, there were 798 jobs per 1,000 residents in Inner London compared to 370 jobs per 1,000 residents in Outer London.

In particular, London's specialisations of 'financial services', 'high value business services' and 'media and publishing' are very strongly concentrated within Inner London. Indeed, they are concentrated even within Inner London into a relatively small number of boroughs.

The biggest employment sector in Outer London is in consumer industries. However, employment relative to population is still below the GB average in the 'consumer spending their £s' sector, perhaps reflecting that some of the incomes earned by Outer London residents is spent in Inner London or outside of London.

The only categories in which Outer London has significantly more jobs than the UK average are 'city building blocks', which is due largely to west London transport jobs related to Heathrow; and 'support business services', in which Outer London has quite a high share of registered employment in security, catering, cleaning and labour recruitment.

At a more disaggregated level, Outer London also performs well relative to the rest of GB in the employment sectors of market research (part of 'high value business services') and radio/television (part of 'media and publishing').

Overall, Outer London has fewer employee jobs relative to its population than other regions of GB. However, this does not mean that there are no job opportunities for Outer London

residents. Outer London is located next to Inner London and Inner London has over 70 per cent more employee jobs relative to its population than the GB average. As such, Inner London provides many job opportunities for Outer London residents.

Indeed, as discussed earlier, in 2005 London overall had 540 employee jobs per 1,000 residents compared to a much lower average of 440 employee jobs per 1,000 residents in the rest of GB (see Figure 1).

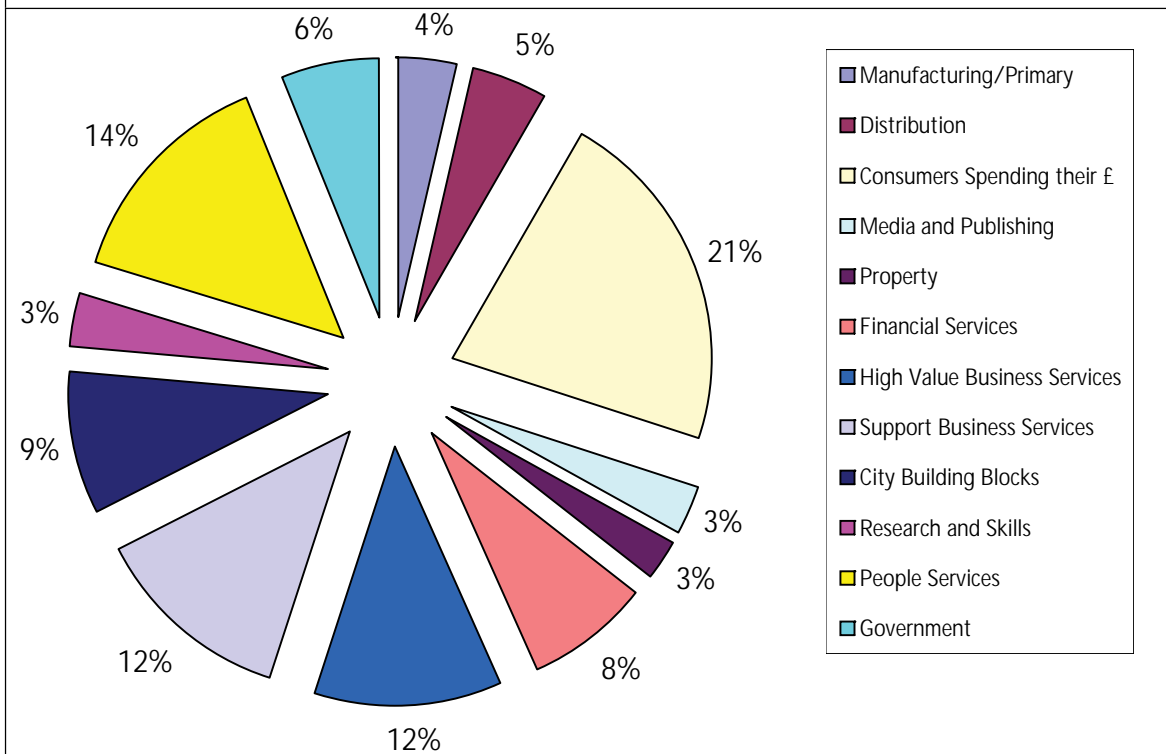
Summary of employment trends in London

Throughout this report to date, employment data has been presented relative to population. This has proven useful in showing the existence of specialisations across different regions and the differences in the overall level of public and private job creation across regions.

However, in summarising the changes in London's employment that have occurred over the past decade, it can also be useful to see employment data presented in absolute levels. Figure 31 shows total workplace employment in London in 2005 split amongst the employment categories utilised in this report. It shows:

- 'Consumers spending their £s' is responsible for 21 per cent of London employment with a further 3 per cent in the related consumer sector of 'media and publishing'.
- 'Financial services', 'high value business services' and 'support business services' are responsible for a combined 32 per cent of London employment.
- 23 per cent of London employment is in the predominantly public sector categories of 'health and education', 'public administration' and 'research and skills'.
- 9 per cent of London employment is related to the provision, operation and maintenance of the infrastructure necessary for the city to function ('city building blocks').
- The remaining 12 per cent of employment is split between 'distribution' (5 per cent), 'manufacturing and primary' (4 per cent) and 'property' (3 per cent).

Figure 31: Total employment in London by category, 2005



London’s specialist sectors

Figure 32 shows London’s employment in four key categories in which London has a specialisation when compared to the rest of GB. In particular, ‘financial services’, ‘high value business services’ and ‘media and publishing’ are key to the health of the London economy as they are major sources of exports from the London economy and therefore draw wealth into London.

Figure 32: London employee jobs in London’s specialisms 1995-2005

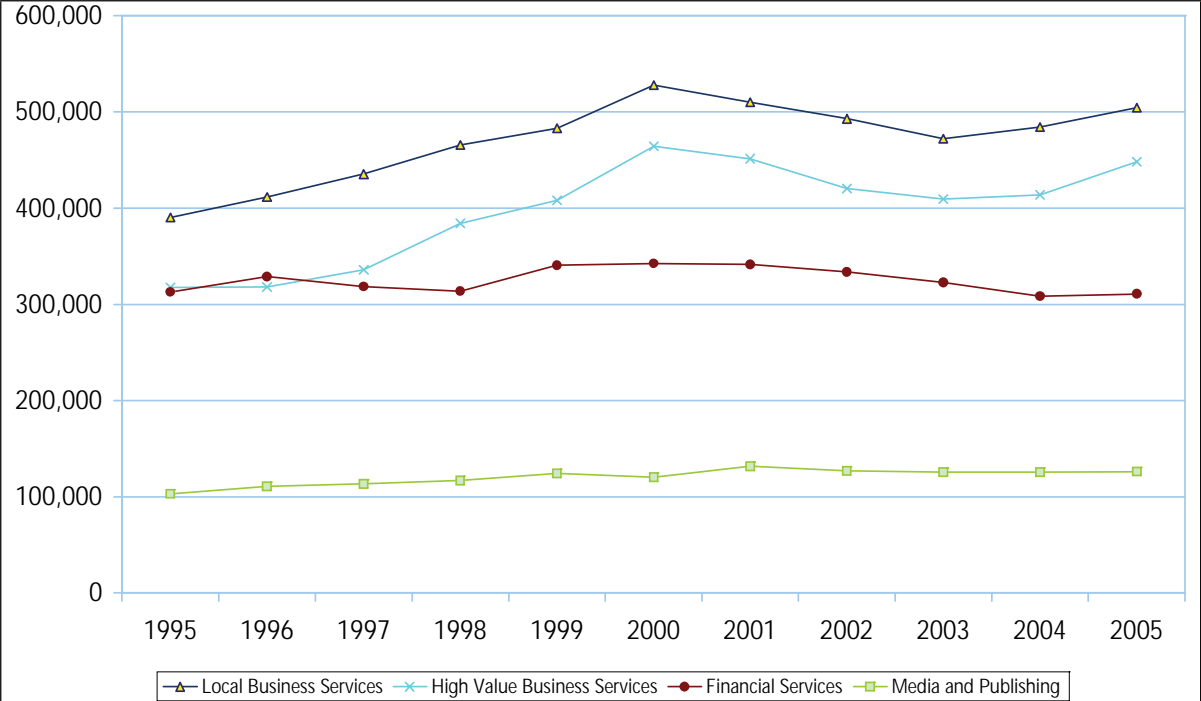


Figure 32 shows that employment in these key areas has been broadly positive over the past decade. Employment in ‘high value business services’ in particular was significantly higher in 2005 than was the case in 1995 and this has helped underpin London’s affluence over the past decade.

London’s consumer sectors

Figure 33 shows London employee jobs in the ‘consumers spending their £s’ category. It shows employment that is directly related to local consumer spending, both by locals and visitors, on consumer goods and services. In other words the category includes jobs in retail and leisure that are dependent on the level of consumers’ incomes, and their choices of how and where to spend.

Figure 33: London employee jobs that are driven by local consumer spending 1995-2005

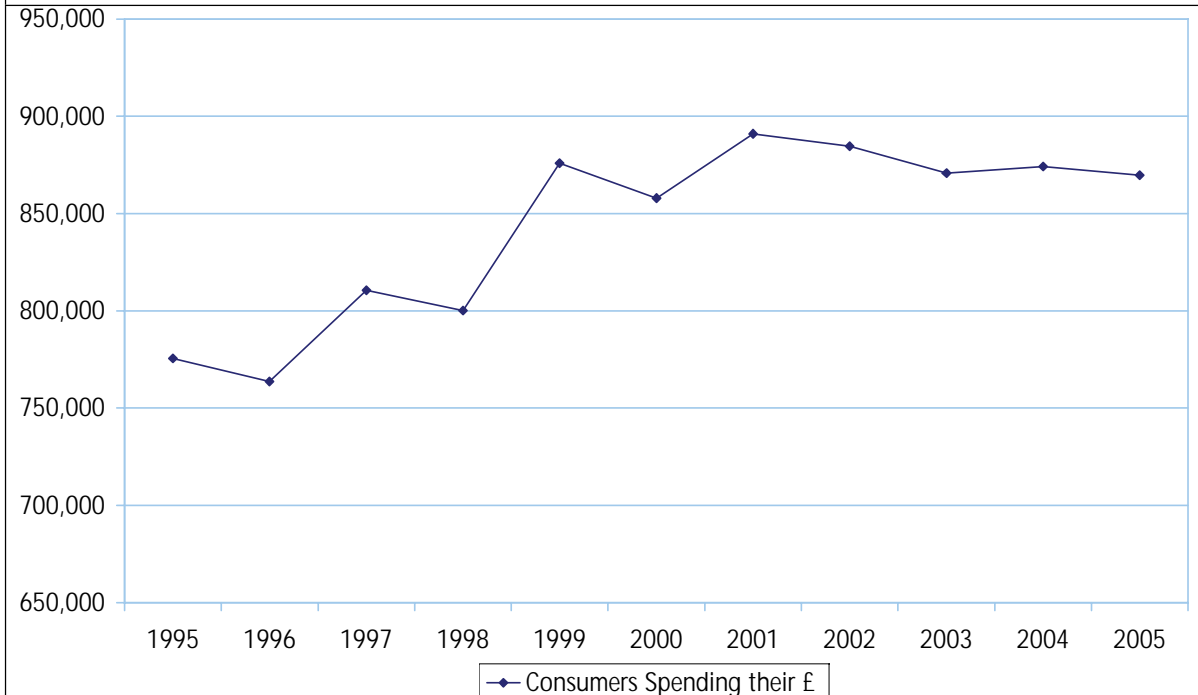


Figure 33 shows that there was an upward trend in employment in these consumer sectors up to 2001. However, there have not been any further increases in total employment in this sector since 2001.

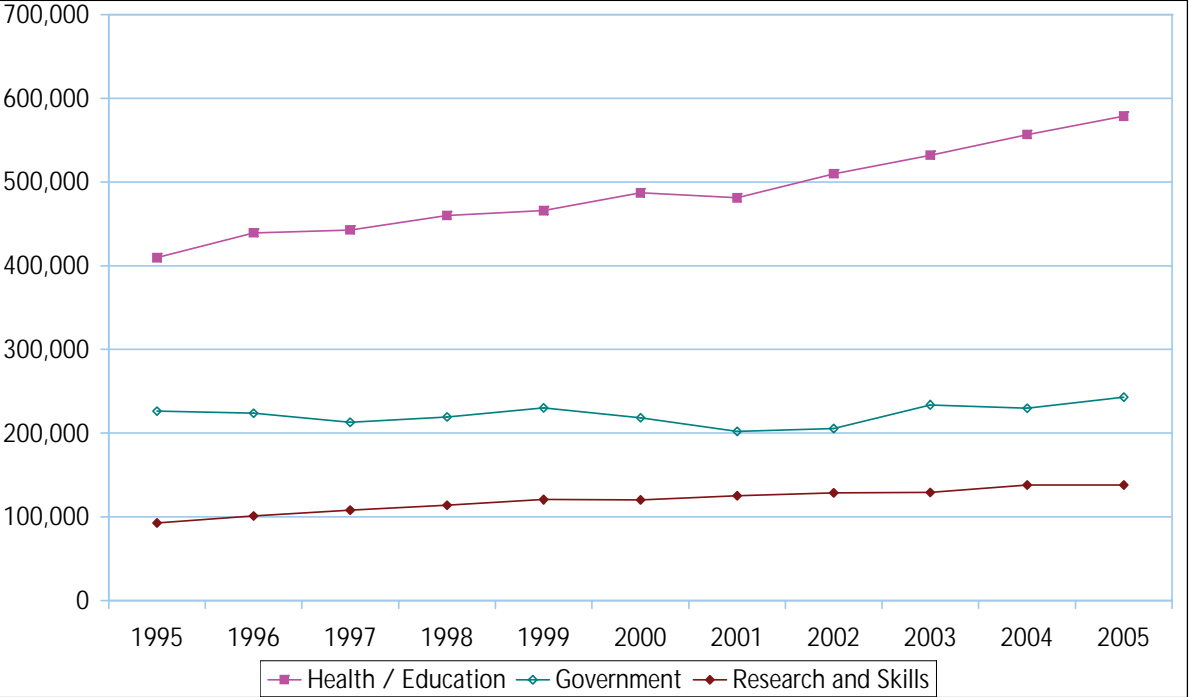
One possible explanation of why employment has not risen in the 'consumers spending their £s' category between 2001 and 2005, is that initially in this period there was a decline in employment in 'high value business services' and 'financial services'. This may have fed through into lower growth in consumer spending. An alternative explanation could be that relatively high expenditure on property by Londoners led to lower growth in spending on retail and leisure.

The success of the City of London during 2006 and the first half of 2007, together with strong retail sales figures in London over this period, suggest that a resumption in the upward trend in employment in the 'consumers spending their £s' category may well be seen once 2006 and 2007 data becomes available.

London's public sector

The rise in public sector employment that has occurred in London since 1995 is shown in Figure 34. It shows that employment in the public sector in London rose by around 200,000 jobs over the period shown as the government increased spending on the National Health Service and on primary and secondary education.

Figure 34: London employee jobs in predominantly public sector categories 1995-2005



The sharp rise in public sector employment is not expected to continue. Whilst a decrease in public sector employment is not anticipated in the short term, the kind of growth in employment shown in Figure 34 is also not expected to continue. This is because the increases in annual government spending on these sectors seen since 1997 cannot be continued indefinitely.

London’s other employment sectors

Figure 35 shows employment in the remaining employment categories: ‘manufacturing and primary’, ‘distribution’, ‘city building blocks’ and ‘property’.

Figure 35: London employee jobs in other categories 1995-2005

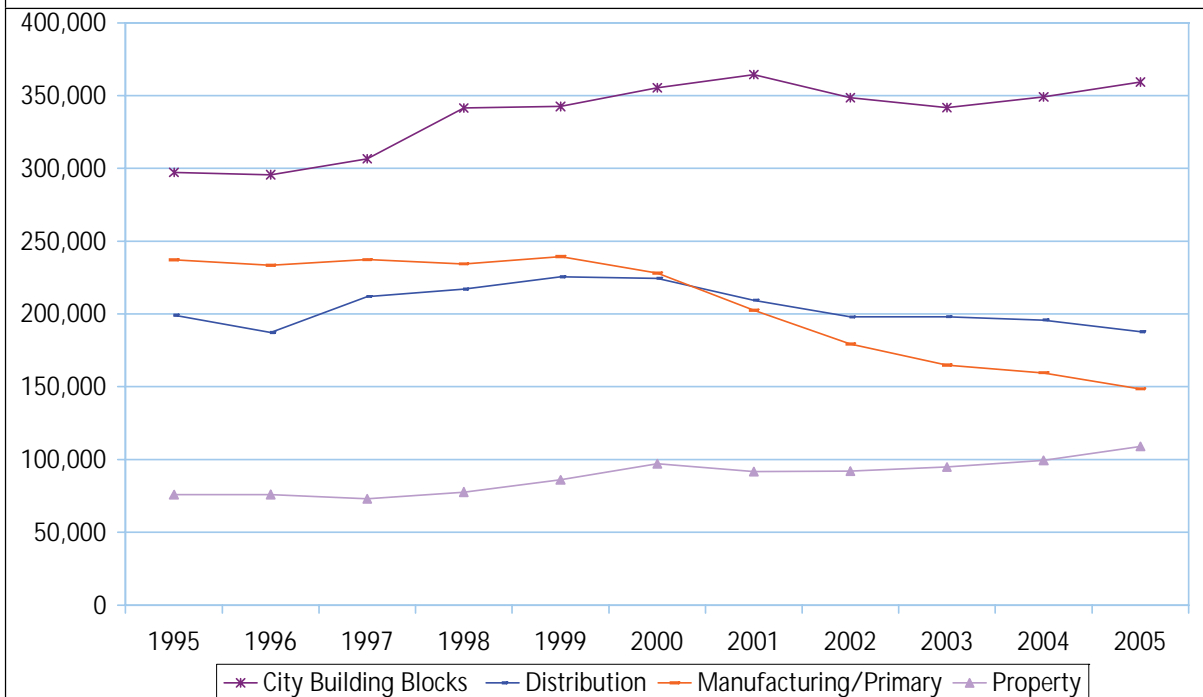


Figure 35 shows that the long-term downward trend in London manufacturing employment has continued with the loss of a further 90,000 employee jobs in the sector since the late 1990s. Of course, goods still have to be delivered to London even if they are not made here and as such employment in 'distribution', whilst volatile, has remained broadly around the 200,000 employee job level through the period shown.

In the remaining two categories employment has increased. Jobs related to 'property' have risen above 100,000. This includes people employed as landlords. Meanwhile employment in 'city building blocks', consisting of infrastructure and transport provision and operation, rose up from a level around 300,000 employee jobs in the mid 1990s to around 350,000 employee jobs by the mid 2000s. Greater employment in transport, both public transport and air transport, is the major reason for the increase.

Appendix A: The Standard Industrial Classification (SIC)

The SIC is used for classifying business establishments and other statistical units by the type of economic activity in which they are engaged. It provides a framework for the collection, tabulation, presentation and analysis of data and its use promotes uniformity²⁴.

The SIC is divided into 17 sections. Each of these sections are then broken down further into divisions denoted by a two-digit code. In turn, these divisions may be broken down again into three-digit groups and then into classes (four-digit). Finally, there may be a further breakdown into sub-classes (five-digit). An example is as follows:

Section I : Transport, Storage and Communication

60 : Land Transport; Transport via pipelines

60.2 Other Land Transport

60.24: Freight Transport by Road

60.24/1 Furniture Removal Activities.

Key to the use of the SIC is the list of 17 sections. Employment and employment forecasts are usually provided by statistical and economic bodies according to the definitions of these sections. This is true of the GLA group for whom employment analysis and projections are provided by GLA Economics according to these definitions²⁵.

The 17 employment sections in the SIC are as follows:

A: Agriculture, Hunting and Forestry

B: Fishing

C: Mining and Quarrying

D: Manufacturing

E: Electricity, Gas and Water Supply

F: Construction

G: Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household goods

H: Hotels and Restaurants

I: Transport, Storage and Communications

J: Financial Intermediation

K: Real Estate, Renting and Business Activities

L: Public Administration and Defence; Compulsory Social Security

M: Education

N: Health and Social Work

O: Other Community, Social and Personal Service Activities

P: Private Households Employing Domestic Staff and Undifferentiated Production Activities of Households for Own Use

Q: Extra – Territorial Organisations and Bodies.

²⁴ National Statistics – UK Standard Industrial Classification of Economic Activities 2003
[http://www.statistics.gov.uk/methods_quality/sic/downloads/UK_SIC_Vol1\(2003\).pdf](http://www.statistics.gov.uk/methods_quality/sic/downloads/UK_SIC_Vol1(2003).pdf)

²⁵ For more details see GLA Economics 'Working Paper 24: An Analysis of London's Employment by Sector', 2007.

Appendix B: Definitions of the 12 employment categories

SIC code	Manufacturing and primary
01-05	Agriculture/forestry/fishing
10-14	Mining / oil
15,16	Food/tobacco
17-18	Textile
19	Leather
20	Wood
21	Pulp/paper
222	Printing (not publishing)
23	Coke
24-26	Chemical
27-28	Metals
29-33	Machinery
34-35	Transport
36	Other
	Distribution
51	Wholesale trade and commission trade
6024, 61, 631	Freight/logistics

	Consumers spending their £s
50	Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel
52	Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods
551, 552	Hotels/accommodation
553	Restaurants
554	Bars
5551	Canteens
633	Activities of travel agencies
7481	Photography services
912, 913	Activities of trade unions/other membership organisations
923	Other entertainment activities
925	Library, archives, museums and other cultural activities
926	Sporting activities
927	Other recreational activities
928	Other service activities
	Media and publishing
221	Publishing
223	Reproduction of recorded media
921	Motion picture and video activities

922	Radio and television activities
924	News agency activities
	Financial services
65	Financial intermediation
66	Insurance and pension funding
67	Activities auxiliary to financial intermediation
	Property
701, 702	Real estate activities with own property/letting of property
703	Estate agents
	High value business services
72	Computer and related activities
7411	Legal activities
7412	Accounting, book-keeping and auditing activities; tax consultancy
7413	Market research and public opinion polling
7414	Business and management consultancy activities
7415	Management activities of holding companies

7420	Architectural and engineering activities and related technical consultancy
743	Technical testing and analysis
744	Advertising
	Support business services
5552	Catering
641	Postal and courier services
71	Renting of machinery and equipment without operator and of personal and household goods
745	Labour recruitment and provision of personnel
746	Investigation and security
747	Industrial cleaning
7482	Packaging activities
7485	Secretarial and translation activities
7487	Miscellaneous business activities not elsewhere classified
	City building blocks
37	Recycling
40,41	Utilities
45	Construction (infrastructure)
60-63 excluding 6024, 61, 631, 633	Transport excluding freight and travel agents

642	Telecommunications
90	Sewage and refuse disposal, sanitation and similar activities
	Research and skills
73	Research and development
803, 804	Higher/adult education
911	Activities of business, employers and professional organisation
	Health and education
801, 802	Primary/secondary education (SIC 801, 802)
85	Health and social work (SIC 85)
	Public administration
751	Administration of the State and the economic and social policy of the community
752	Provision of services to the community as a whole
753	Compulsory social security activities

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Nếu bạn muốn có bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

Turkish

Bu belgenin kendi dilinizde hazırlanmış bir nüshasını edinmek için, lütfen aşağıdaki telefon numarasını arayınız veya adrese başvurunuz.

Punjabi

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 (কপি) চান, তা হলে নীচের ফোন নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى الاتصال برقم الهاتف أو مراسلة العنوان أدناه

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.