

# Spreading Success

## How London is Changing



**MAYOR OF LONDON**

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Appetite

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**GLA Economics**

The Mayor of London established GLA Economics in May 2002 to provide a firm statistical, factual and forecasting basis for policy decision-making by the GLA and its functional bodies.

London is well known as one of the three great world cities, and as an international centre for finance and business. But it is more than that – the city includes an extraordinary diversity of places and people, which it is easy to overlook in the midst of discussions about globalisation and London’s international role. Most Londoners work outside the three most central boroughs of Westminster, the City and Tower Hamlets. There are many employment sectors other than financial and business services that are growing in London, and there are places outside the centre where new jobs are being created.

As this report describes, this diversity is something we are determined to encourage. All of London’s people and places need access to a range of opportunities and services if they are to thrive, and if our vision for a truly sustainable city is to be realised against the background of the population and job growth we expect to see over the next fifteen years. That is why finding ways of encouraging local economic development and job creation in all parts of London is vitally important.

This can only be achieved if all London-wide and local policy and decision-makers work together. This report is intended to start a process of discussion between all the organisations involved to this end. It sets out a good deal of detailed information about what is happening to local economies in all parts of London and which areas of the economy are showing jobs growth.

It ends by drawing on the work done by the GLA Group in drawing up the draft London Plan, my Transport and Economic Development Strategies, and on experience of five boroughs in very different parts of our city to suggest policy approaches to respond to these forces in ways that will help create the kind of opportunities we are committed to secure for everyone in London, no matter where they live.

We have a huge amount to learn from each other, and I hope this will mark the start of a new process of dialogue and exchange of information to help achieve the best for all Londoners.



A handwritten signature in black ink that reads "Ken Livingstone".

**Mayor of London**

Much has been written about London's role as one of the world's three major centres of financial activity. The financial nerve centre is undoubtedly focused on central London and many business services and headquarters functions are located there. What is much less well described, however, is what has been happening in other parts of London and other job sectors.

The purpose of this report is to help address this information gap and is part of a longer-term research strategy that intends to further develop our understanding of the London economy and the dynamics of its operation. This report looks specifically at the spatial changes in employment patterns, past, present and future, across the capital and at the challenges and opportunities represented by these changes for spatial planning and development. The report does not attempt to look at the myriad issues concerning access to these employment

opportunities or the associated issues of skills shortages and deficiencies; these will be subject to future analysis.

This report also seeks to build upon recent work across the GLA Group including the detailed analysis contained in the Mayor's report 'London Divided: income inequality and poverty in the capital' and the forthcoming work on London's Sub-Regional Economies prepared by the London Development Agency ('Understanding London's Sub-Regional Economies'), as well as the GLA's recent report on the creative industries ('Creativity: London's Core Business').

This report draws on all of these sources as well as additional research to investigate how employment patterns in different parts of London have been changing and the types of policies that are most likely to be effective in fostering future growth and economic development.

Over the next 15 years, London faces a major increase in population. Even if the recent census figures, showing that this growth will start from a lower base than everyone thought, are accepted at face value, it is still anticipated that London will have 700,000 more people by 2016 than it has now.

### **The challenge**

Over the next 15 years, London faces a major increase in population. Even if the recent census figures, showing that this growth will start from a lower base than everyone thought, are accepted at face value, it is still anticipated that London will have 700,000 more people by 2016 than it has now. This means that over the same period, there will be 515,000 more people of working age. These projections are based on well-understood demographic trends (largely the natural growth in population arising from having more births than deaths and more people moving into London than moving out); it is not a question of whether or not this level of growth is one that anyone would ideally 'like' to see, but of taking a responsible view of what is likely to happen and planning accordingly.

One of the most important things to plan for, given the projection of more than half a million additional workers – the same number as the current

workforce of Birmingham, England's second biggest city – is the need for more jobs, and for a suitable range of jobs for what will be an increasingly diverse workforce. Joblessness exacerbates poverty and social exclusion. There are already patterns of disadvantage, with minority ethnic unemployment worse than that for white Londoners and children's poverty strongly related to their parents' worklessness. Failure to look at what is happening to London's job market and identify ways to ensure it works effectively in the future, will reinforce historical patterns of disadvantage and raise the spectre of new social problems, which will make living in London an increasingly unjust and unpleasant experience for everyone.

Ensuring that there are enough jobs, of the right type and in the right place, for the new Londoners, are key challenges for all policy-makers throughout the city. The draft London Plan started to identify the challenge and possible responses,

but because of its strategic nature, cannot look at the smaller-scale of local trends and approaches. This is particularly true for places outside the opportunity zone and other areas pinpointed as being of London-wide strategic importance. This publication seeks to fill this gap, by:

- Identifying job creation trends across all parts of London.
- Determining growing sectors.
- Establishing where growth is taking place.
- Considering the experiences of some boroughs which have faced particularly significant change.
- Suggesting policy approaches that local decision-makers might consider.

### **The central question: fight the future, or embrace change?**

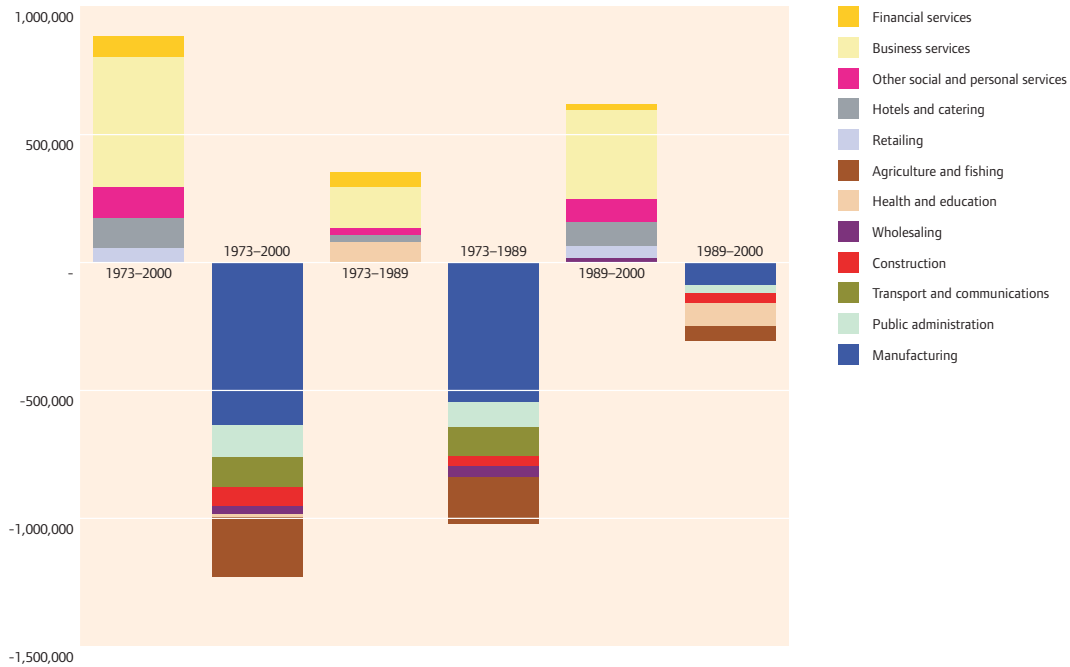
In the past, London has remade its economy many times in response to changing patterns of local and international demand, and has been quick to adopt new technologies and methods of work. The last 40 years has seen one of these dramatic periods of upheaval. In 1966, 1.29 million Londoners worked in manufacturing; over the following 30 years nearly 80 per cent of these jobs disappeared. Areas like Park Royal and the Lee Valley, which developed as industrial areas over a period stretching back as long as two hundred years, saw the practical end of their primary industrial existence by 1985. Household names such as Bassetts Confectionery, Firestone Tyres and Norton Villiers, and major landmark public facilities such as Battersea Power Station and Beckton Gas Works, closed and shed industrial jobs. Every part of London has its own particular example of this phenomenon.

This is not to say that manufacturing is no longer important. It also has a new role. For example, many of the most dynamic parts of London's creative industries need close links with the production industries. However, since 1971, employment in manufacturing has declined by 621,000. This loss of manufacturing jobs was most concentrated in the period up to the late 1980s. The rise in London's employment since the recession of the early 1990s is due to that massive rate of decline in manufacturing employment ending and growth in the service sector continuing at a fairly constant rate. Financial and business services have contributed most to this, employing 390,000 more jobs since 1992, though sectors such as retailing and wholesaling, personal and leisure services and hotels and restaurants have also grown. While in 1971, 60.5 per cent of London's jobs were in these service sectors; by 2000 this had reached 83.1 per cent (figure 1.1).

Forecasts prepared for the London Plan show these strong trends continuing, with a projected increase of 190,000 jobs in leisure and other personally-oriented services, 150,000 in hotels and catering and 10,000 in retail. These trends may not be a reflection of what everyone would abstractly want to happen, but they are the best and most realistic view of probable developments, taking account of:

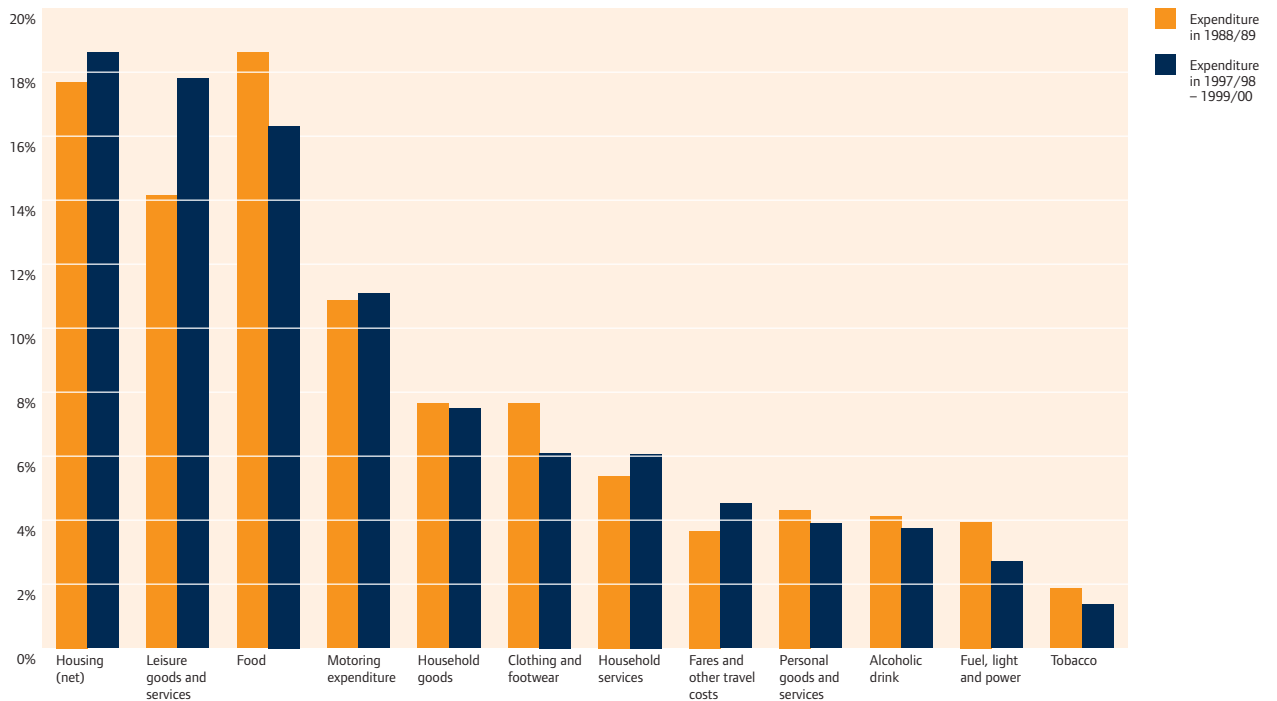
- *The likely increase in London's population:* an extra 700,000 Londoners are going to increase demand for leisure and personal services, and for places to shop.
- *Growing demand for services:* the 2000/01 Family Expenditure Survey showed that for the first time, typical London households spend more on leisure goods and services than on food (figure 1.2). In a new generation of mixed-use urban areas across the capital, London's increasingly young population is also likely to look to leisure activities close to home.

Figure 1.1 Numerical change in employee jobs



Source: Experian Business Strategies (EBS), Annual Business Inquiry (ABI), GLA Economics

Figure 1.2 Composition of household expenditure in London



Source: Family Expenditure Survey, National Statistics

• *New ways in which services are consumed:* the changing ways people work, live and enjoy their leisure time are having major impacts on when and where they spend their money, as well as what they buy. For many Londoners, tight geographical divisions between workplace and residential areas are weakening. This is shown by the growth in night-time economies in several of London's suburban centres – Croydon Council points out that their area's night economy is now larger than central Manchester's.

• *London's competitive advantage for services:* This can be shown by looking at London's share of the UK's total service sector employment (see table 1.1). London has particular advantages in a wide range of high-value, high-skill and knowledge-intensive activities (ranging from broking to the music business). Some are closely linked to other sectors, such as air transport, tourism,

fashion design and other cultural activities. These services, and those needed to support them, are increasingly locating in London. This is impacting on the structure of all parts of the city. For example, back office and support services are locating in less central, cheaper locations and new sectors are locating in places where there is a good supply of affordable and readily available property.

The challenge for policy makers, therefore, is to decide whether their approach to encouraging jobs and promoting employment should be based around trying to reverse these very powerful trends, or understanding and accepting them, taking active steps to make sure they work to the benefit of local people. Over the past twenty years, different approaches have been tried. These have included attempts to turn back the clock and attract back large scale manufacturing and other similar sectors. So far, with limited exceptions, this approach has

proved largely unsuccessful. Alternatively, attempts to attract jobs of any kind to an area have, without a proper complementary policy framework, too often resulted in supporting jobs which have gone to more skilled people – often from outside the area concerned – with few lasting benefits for local people and places. In some areas, there has been major job growth and economic change almost regardless of any approach taken locally.

This document – which reflects the policy approach being taken by the Mayor, the London Development Agency and the GLA Group as a whole – takes the position that even if it were desirable to try to turn back the clock, the range of policies realistically available would be inadequate to produce the necessary change in deep-seated economic forces. Instead, these forces need to be understood and policies developed to maximise job

**Table 1.1**

<i>Specialist strengths of the London Economy 2000</i>	<i>London employment (000s)</i>	<i>% of GB total</i>
<b>Financial services</b>		
<i>Financial markets, security broking and fund management</i>	39	68%
<i>Other specialised financial services (other than pensions and insurance)</i>	21	48%
<i>Banks and building societies</i>	153	34%
<i>Insurance brokers, agents and risk evaluators</i>	39	31%
<b>Property, professions, IT and other business services</b>		
<i>Employers, professional and union organisations</i>	18	42%
<i>Advertising and photography</i>	45	39%
<i>Law and accounting</i>	146	35%
<i>Market research and consultancy</i>	73	34%
<i>Real estate: development, management and dealing</i>	37	32%
<i>Data processing and data bases</i>	18	32%
<i>Other business activities (inc. interior/fashion design, entertainment agencies, exhibition organisers)</i>	81	31%
<b>Publishing, media and cultural services</b>		
<i>Sound publishing</i>	4	63%
<i>Film/video production, distribution</i>	11	59%
<i>Radio and TV</i>	34	53%
<i>Artistic and literary: creation and facilities</i>	28	45%
<i>Publishing: books and journals</i>	37	45%
<i>Newspapers: publishing, printing, news agencies</i>	22	41%
<b>Travel and distribution</b>		
<i>Wholesale of clothing and cosmetics</i>	19	36%
<i>Air transport and supporting services</i>	38	32%
<i>Rail and other scheduled surface passenger transport</i>	45	28%

Source: 'London's place in the UK economy', Annual Report, London School of Economics and Political Science, September 2002

growth in all parts of London, so as to provide a choice of high-quality job opportunities within the reach of everyone, based on the most sustainably dynamic sectors of London's economy. Under this approach, policies will be developed and implemented to support and sustain growth sectors (which will include some production and manufacturing) where London has clear comparative and competitive advantage.

**Is local job creation important?**

One theoretical way forward could be to encourage job growth in central London, while promoting the rest of the city as somewhere essentially for people to live, with employment limited to serving the needs of local residents.

There are a number of reasons why this approach is not practical, even if it were desirable:

- It is unlikely that the kind of job growth that would be needed could be entirely accommodated in the three central boroughs (Westminster, City and Tower Hamlets) and the city fringe areas of Kensington and Chelsea, Camden, Islington, Hackney, Southwark and Lambeth.

- It is likely that a high proportion of the spending on leisure goods and services (such as buying or renting videos, visits to the cinema and booking holidays), which is expected to grow, will tend to take place close to home.

- Much of London's transport system is already at capacity, a situation that is likely to get worse before it gets better. Boosting local employment will help relieve London's transport problems.

- Londoners' circumstances differ, and not everyone will want or be able to travel long distances to full-time jobs in the

centre. There is a need for a range of accessible opportunities to suit people with differing needs.

Promoting local employment will also boost local economies, provide for a range of employment opportunities for people wanting part-time and other atypical jobs and help tackle localised problems of social exclusion. One feature of London's employment pattern is that, as a proportion of its workforce, there are fewer part-time employees than elsewhere in the country. Since part-time jobs are largely taken by women, this reduces women's job opportunities (of course costs associated with transportation and childcare are also important factors needing to be addressed). At the same time, one of the major sources of deprivation identified by the Mayor's report on poverty is that of worklessness, particularly in single parent families.

**Is this realistic?**

London has shown in the past that it can be extremely flexible in adapting to change. The last major expansion in its economy and population, in the 1920s and 1930s, saw the development of new light industries and products. These had the effect of providing new suburban homes, affordable cars from Ford at Dagenham, Smiths crisps, Heinz baked beans, Guinness from Park Royal, safety razors from Gillette in Brentford and wireless sets from Marconi in Brent. The early growth of Croydon Airport and of centres of creativity such as Fleet Street, the BBC and Ealing Studios, also have parallels with today. This expansion was made possible or encouraged by major public and private sector investment in infrastructure, such as the great arterial road system, extension of the Tube and new, higher-quality housing. Today, examples of radical change can again be found across the city – in the once traditional manufacturing

areas like the Wandle and Lee Valleys, for example, or in the new vitality of places such as Park Royal.

The analysis of sub regional performance prepared for the LDA shows that all parts of London began to improve their performance relative to that of the country as a whole in the early to mid 1990s. This was after a long period in which apparent structural advantages of the location of growth sectors had not been translated into growth at the same pace as elsewhere in the country. In short, London has proportionately more jobs in the sectors that have shown the most job growth nationally. Within London, those places with the largest number of these jobs have also shown the most growth.

No part of London has remained untouched by economic change. Although financial and world market-oriented business services are highly concentrated

in central London and the City, other growth sectors are much more dispersed: boroughs including Barnet, Kingston upon Thames, Redbridge and Bromley have seen employment in growing service sectors increase. What has happened in the last ten years shows that substantial local job creation is possible, and it is to this evidence that we turn now.

Today, examples of radical change can again be found across the city...