



# What's London Worth

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# Cities are important

- 75% of the US population lives in 2% of the land mass
- 30% of London's employment is in 2% of London
- Urbanisation is generally increasing across the globe



# Everywhere is different

- The probability that any given local authority district will match the average sectoral distribution of the UK is zero
- Between 1983 and 2001, this distinctiveness has persisted
- Though most places became somewhat more similar, central London increased its differentiation and some movements may be an artefact of classification systems



# What is London worth

- To Londoners
- To business and the economy
- To the UK
- To the world



# Some initial estimates

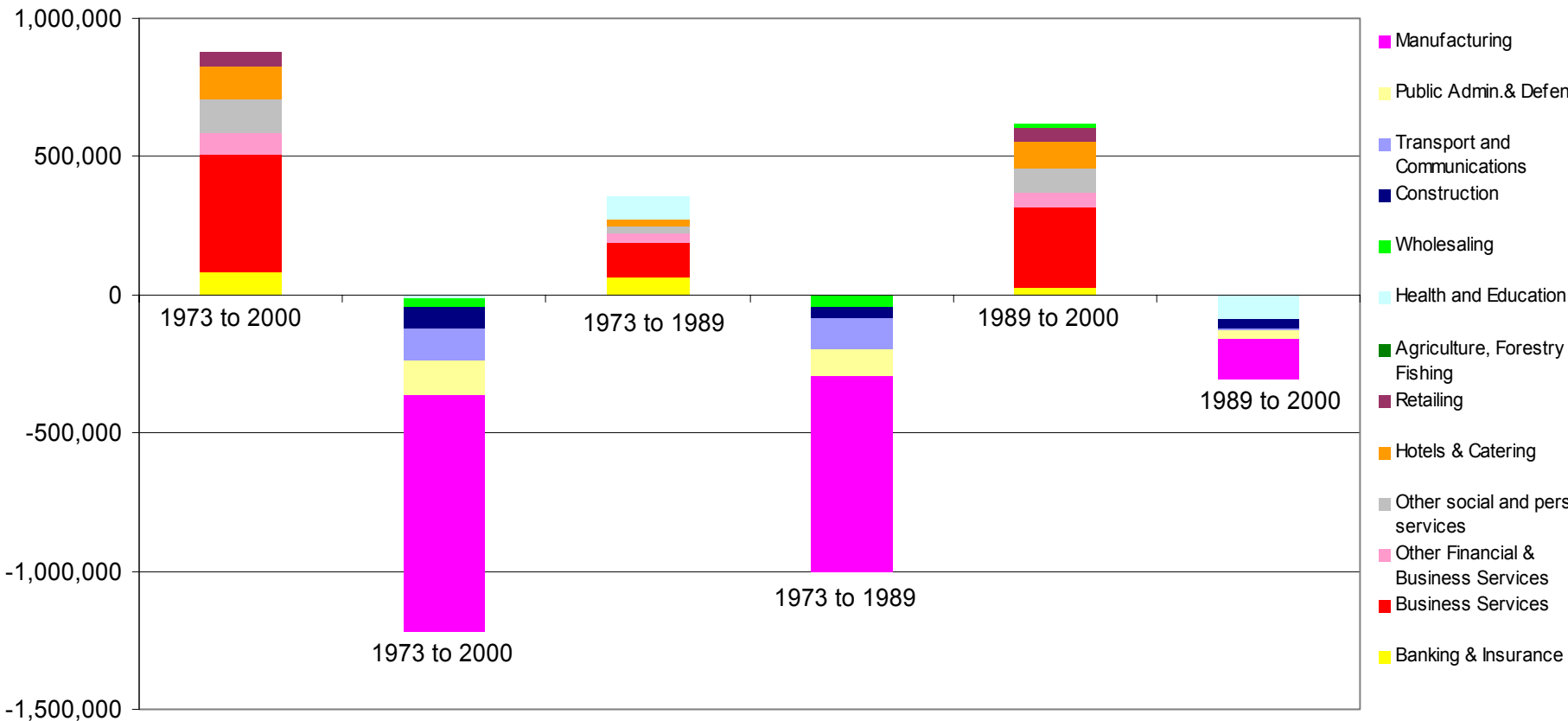
- 12% of the UK's population
- 16% of residents output, 18% on a workplace basis
- 12 of the 20 most deprived wards
- 19% of the UK's unemployment
- A world financial centre
- A world centre for media, law and other global services

# Some things change, some stay the same

- Financial centre of long standing, leading in 6 out of 7 international markets
- Has lost 750,000 manufacturing jobs in 30 years
- But more than replaced them with other activities
  - Accountancy
  - Law
  - Management consultancy
  - Advertising/media/creative
  - Computer services

# Numerical change in employee jobs

(between 1973 and 2000, 1973 and 1989, and 1989 and 2000)

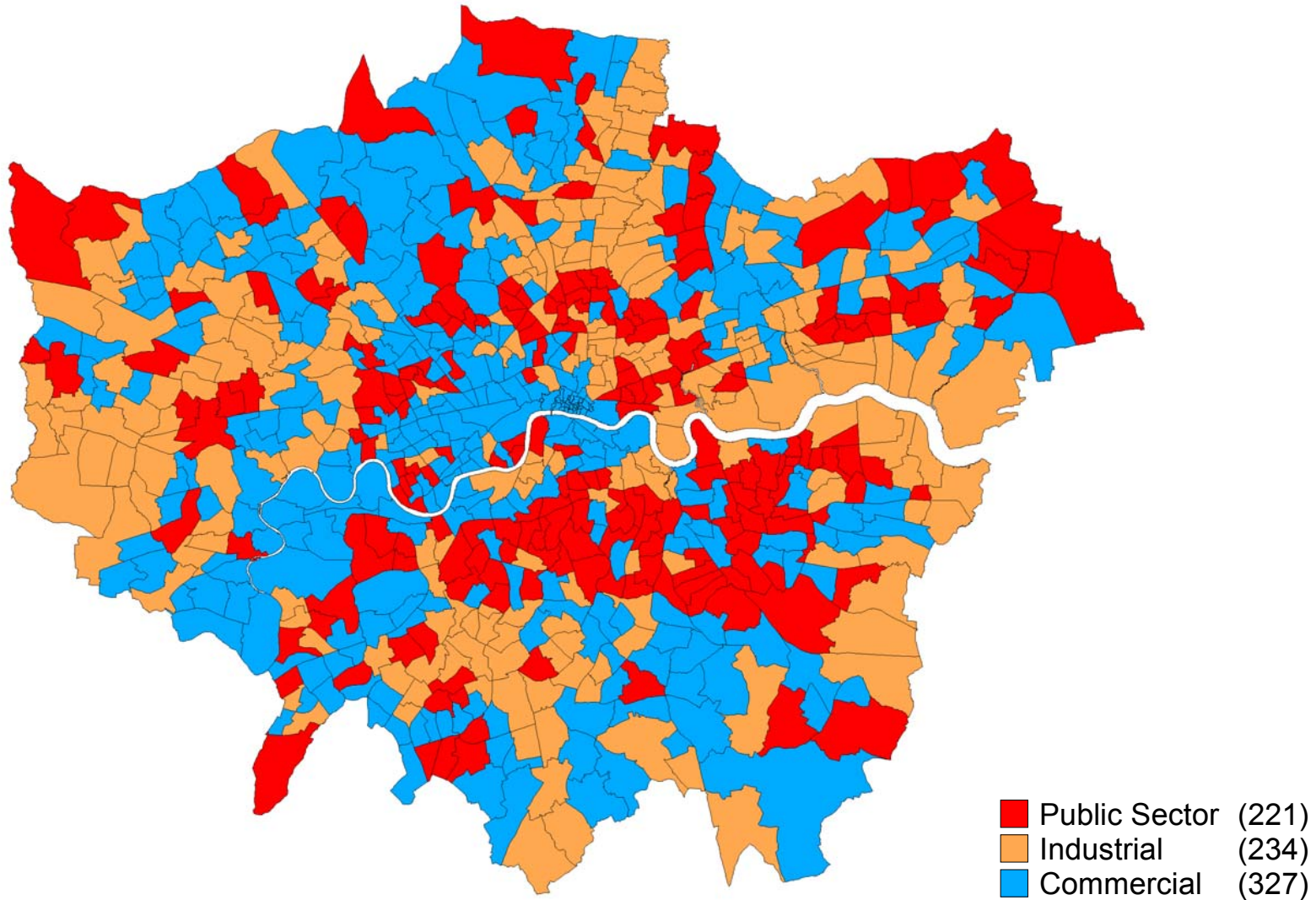


# London's job employment growth rates

1995-2000

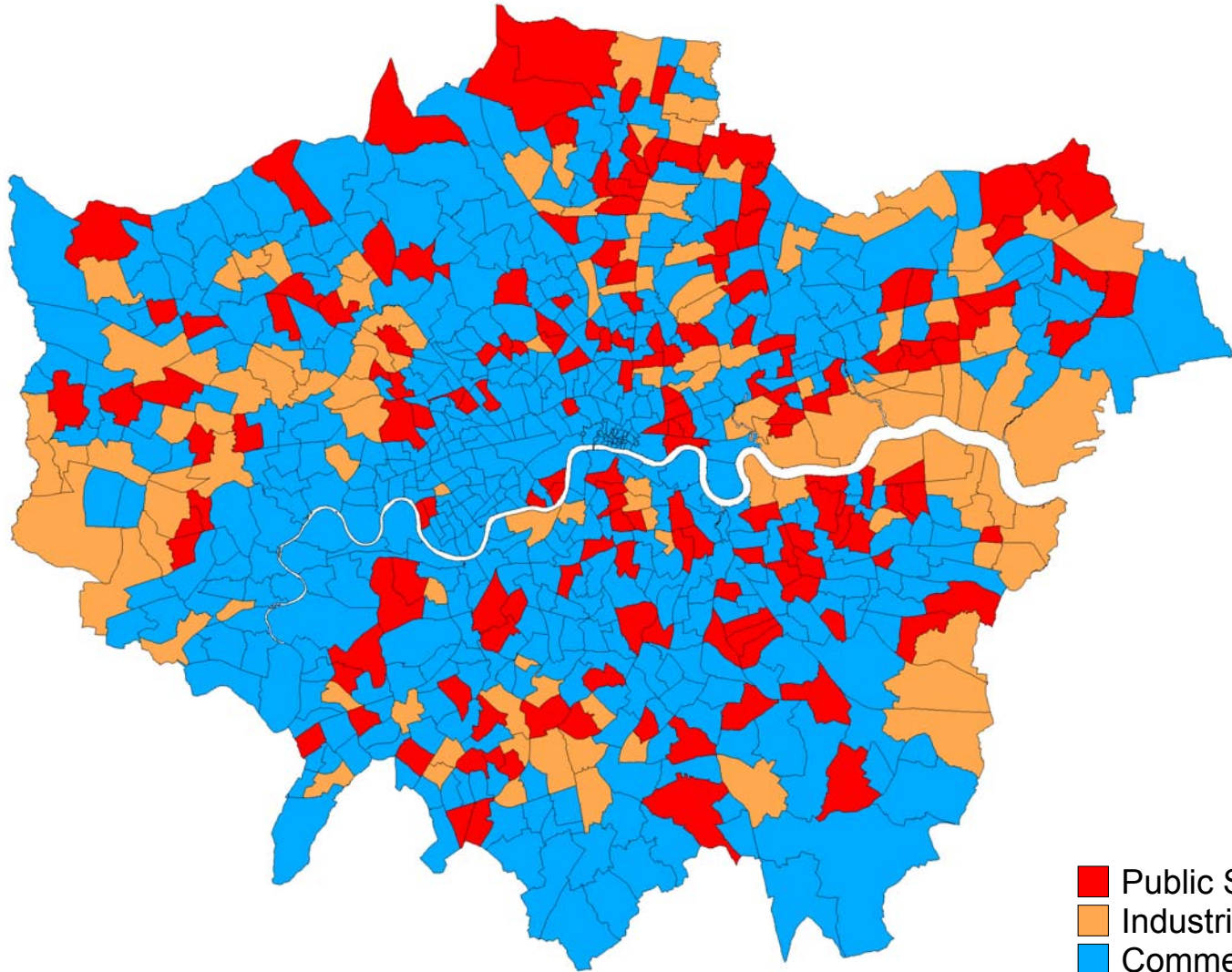


# Employee jobs clustering in 1989



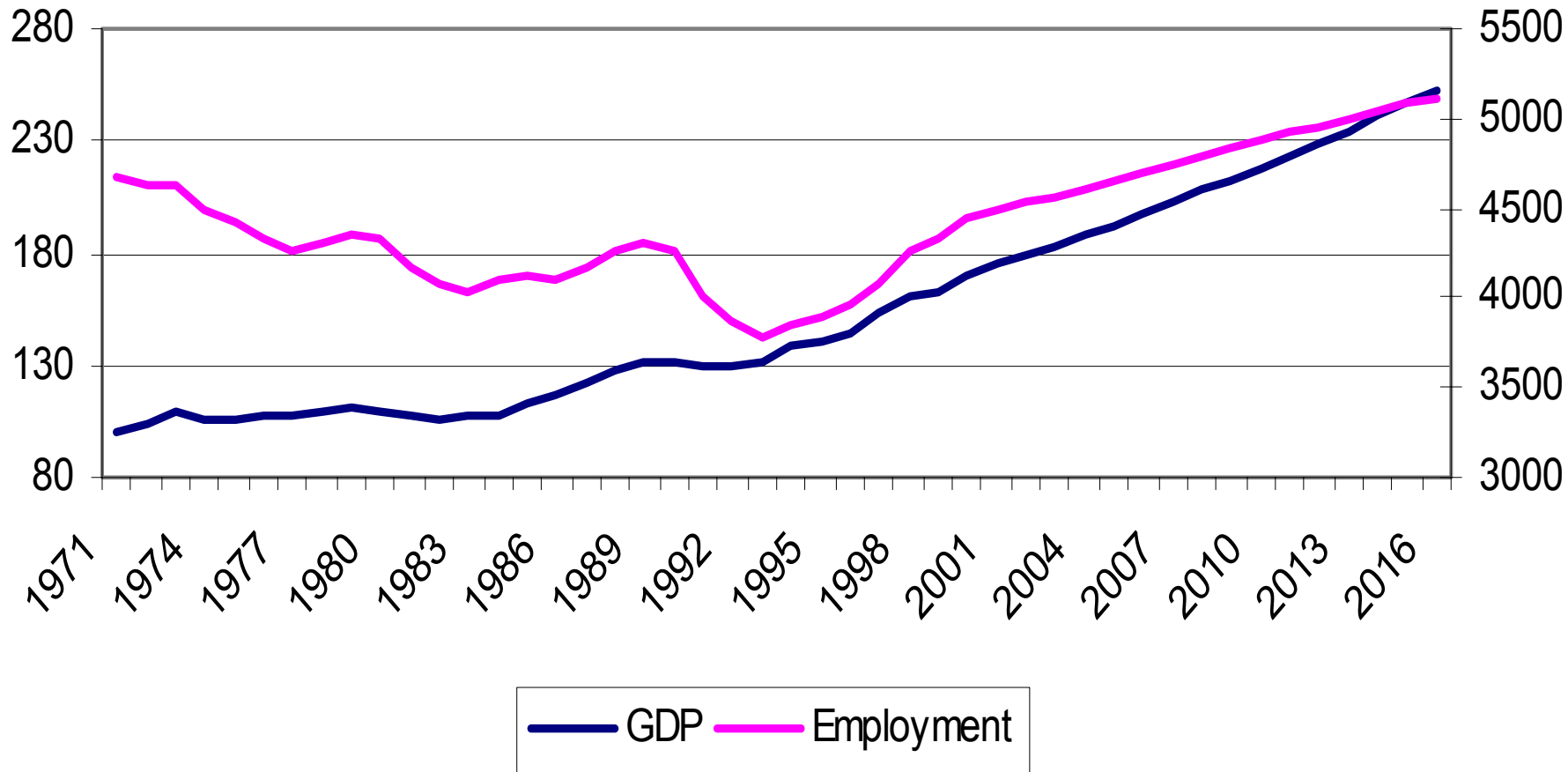
# Employee jobs clustering in 2000

(with 1989 clusters)



# London GDP and employment

GDP 1971=100 / Employment 000s

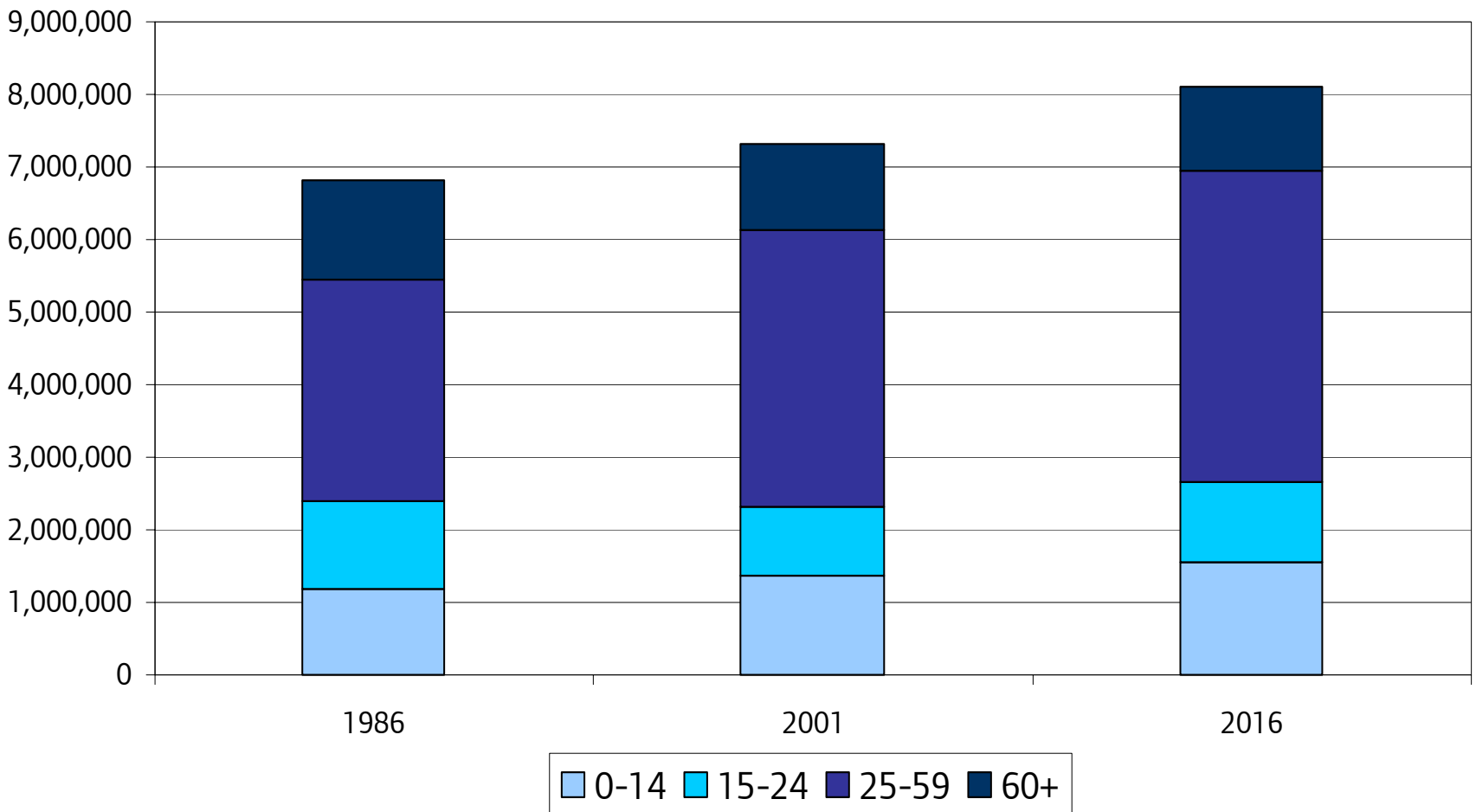


# Not just about employment and business

- London is adding people, unique in British cities
- 9.3% increase over the last 14 years
- Now 7.355m, back to levels of 1973
- Both migration and natural increase
- 30% ethnic minorities



# London's population by age



# What produced this turnaround?

- Many things come together
- Mid 1980s big bang produced a new atmosphere of possibility
- Manufacturing decline levelled off
- We stopped trying to make population leave the city
- London reinvented itself



# But problems remained

- Underinvestment in infrastructure
- No central focus for such decisions
- Lack of understanding of the city's importance to rest of UK
- Communities left behind or ill equipped to make most of opportunities



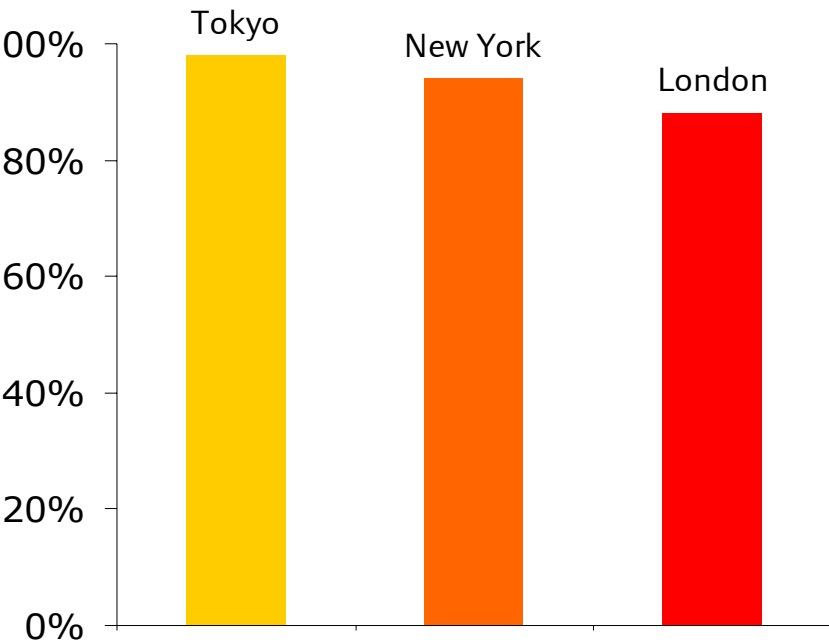
# Infrastructure

- Transport
- Schools, hospitals etc
- Crime, cleaning
  - Focus today on transport

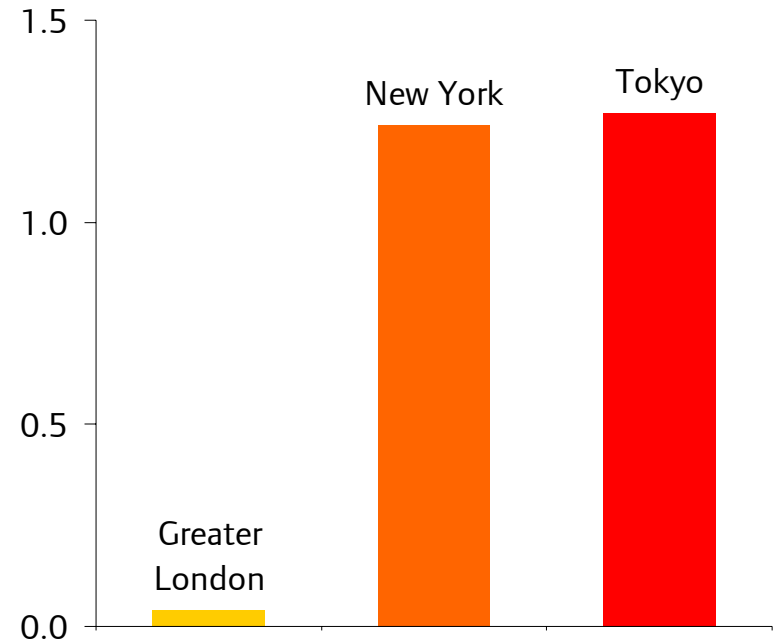


# Infrastructure (2)

**Rail services on time to within 5 minutes (%) 1995**



**Density of expressways (km per km<sup>2</sup> of land)**



# Investment in transport

- Decisions are largely taken centrally
- Methods are based on time saving analysis which leaves little room for understanding how accessibility affects peoples willingness to travel in the first place
- Leads to underinvestment in urban systems in particular



# Urban additivity

- Higher productivity locations – we estimate that working in London adds some £20k of output per head per year
- Spillover benefits – agglomeration means that you working here makes me more productive - £100 pc for 30,000 extra people
- Deeper labour markets, niche opportunities, better innovation, more competition

# Costs and benefits of London

- Average commuting cost to central London is £7.5k pa (generalised costs)
- Average house price differential is £83k
- Average wage differential is £15-18k pa
- These of course cover quite wide distributions



# A central focus

- The establishment of the GLA and election of a mayor has made a difference
- But very limited powers
- Local government in UK more reliant than ever on central funding



# Relations to rest of UK

- London business more international
- Extensive purchases from rest of UK
- Generates innovation and external spillover
- Failing to invest in London does not make other places more successful, rather the reverse



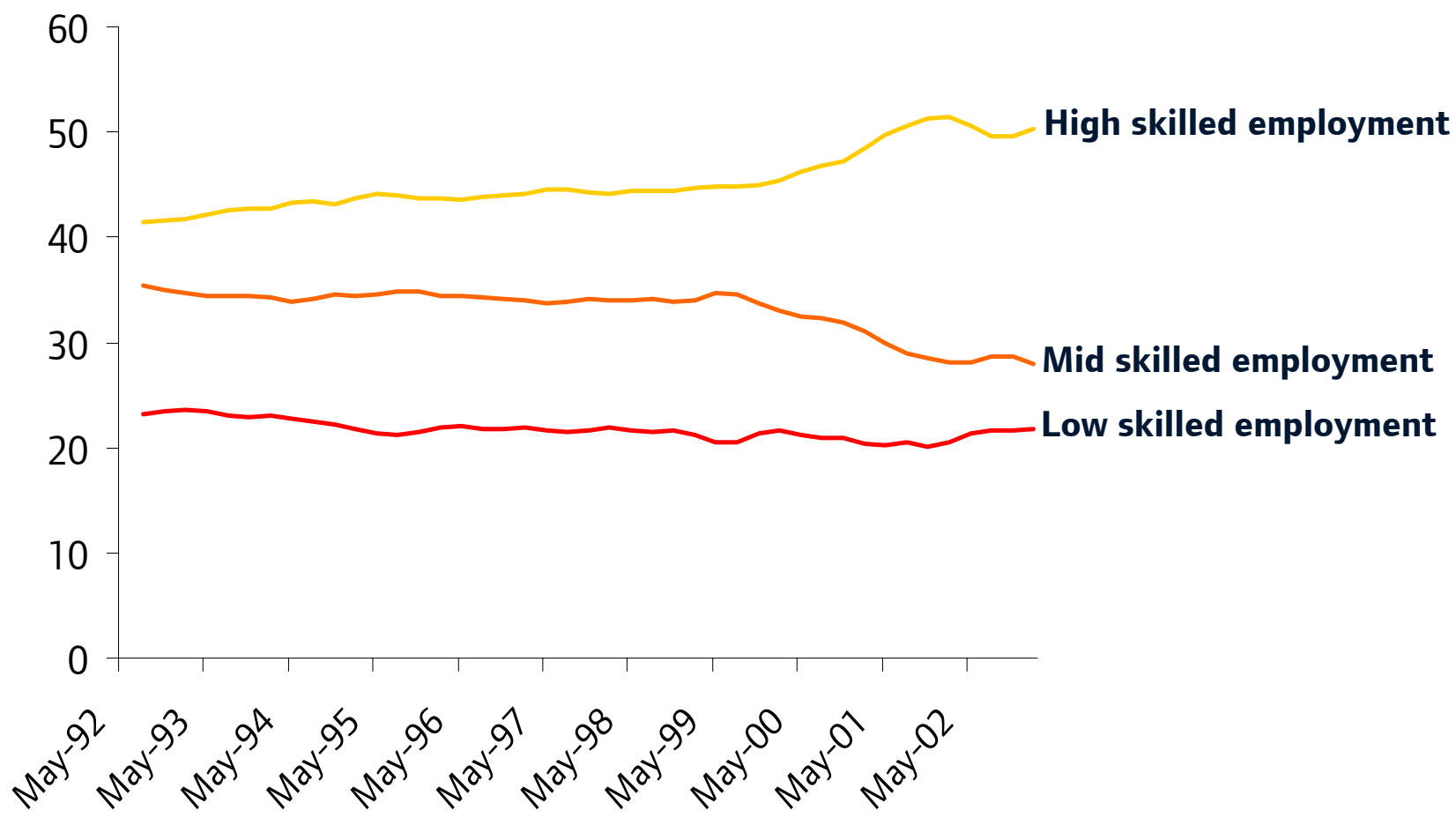
# Poor communities

- Need to fill a skills gap
- Over-supply unskilled
- Lack of part-time opportunities
- Childcare and benefit gaps



# Changes in Londoners' high, mid and low skilled employment

(%) 1992 to Feb 2003



# Conclusion

- Cities are worth more than we think
- 'Traditional' methods of valuing them underestimate their contribution
- London's expansion is not a zero sum game
- Challenges of poverty and worklessness need to be met

