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Date: 9 September 2014

Response to Economic Development Plan emerging themes

This letter constitutes the submission from the Economy Committee to the LEP's current consultation on the emerging themes of your proposed Economic Development Plan. It is informed by recent investigations conducted by the Committee into challenges facing the London economy, and our discussions with Gerard Lyons (the Mayor's Chief Economic Adviser), David Lutton (London First) and Jeremy Skinner (GLA senior manager for growth and enterprise) at our meeting in July.

Here we set out our views on several specific issues we believe the Economic Development Plan should address. We have written to the Mayor separately about our concerns with the consultation process.

Diversity

We are encouraged to see that the LEP recognises that diversity of London's economy is key to its strength. London cannot be dependent on financial and banking services alone for its prosperity.

We would recommend measures in the Economic Development Plan specifically aimed at supporting skills and employment generation in sectors that have the potential to create relatively higher numbers of new jobs than finance does, such as tourism and construction. On tourism, the LEP should consider cross-referencing the Cultural Tourism Strategy being developed by the Mayor and support any actions that will boost this sector.

There should also be reconsideration of the role of manufacturing in the London economy, particularly the role of green manufacturing and niche manufacturing. The Mayor has suggested there is significant potential for manufacturing to grow in London: this should be explored in order to identify opportunities to boost a sector that could provide hundreds of skilled jobs for Londoners, especially in east and outer London.

Digital economy

The high-tech sector has grown strongly in London in recent years. There are some parts of this sector where London's position has weakened, in particular the computer gaming industry.¹ It is now fairly well-established that small technology firms struggle to expand in London because of being unable to recruit the required skilled workers, and finding

¹ <https://www.london.gov.uk/sites/default/files/ADD119%20Games%20Research%20PDF.pdf>

affordable workspace in which to scale up a business. The Economic Development Plan should identify new actions from the LEP that can address these issues.

Another serious concern which particularly affects the technology and creative sectors – as well as many other parts of the London economy – is the continuing poor standard of internet connectivity. Broadband speeds are lower in London than in most other world cities; we note that 52% of employers told the LEP during your recent engagement exercise that London’s digital networks were inadequate. While the GLA’s Super Connected City plan is welcome, the funding provided by Government is insufficient to ensure a widespread increase in broadband speeds. It also remains the case that for many businesses the broadband speeds received do not match those promised by providers. When coupled with other concerns such as lengthy contracts and poor customer service it is clear that this must be tackled as a priority.

We recommend to the Mayor that he introduces a policy of requiring all major new developments to provide access to high speed broadband, lobbies the government to compel internet providers to take action in areas where they believe market failure is responsible for inadequate connections. Further strategic action should be identified by the LEP in the Economic Development Plan to improve connectivity across the city.

Climate change and low carbon economy

Climate change presents a serious risk to the stability of the London economy, because of its physical effects in the city, the potential disruption to global supply chains, and the potential effect of a carbon bubble in financial markets. The Economy Committee is currently investigating this topic; we heard at our meeting in June that climate change is the biggest long-term challenge facing London businesses.² The LEP should address this issue in the Economic Development Plan and we will make available the findings of our review later this year to help inform your work.

One of the objectives of the Mayor’s 2010 Economic Development Strategy was to make London one of the world’s leading low carbon capitals by 2025. The GLA continues to pursue a number of measures in this area, although there is clearly a long way to go before the objective is achieved. We are concerned that the issue was not addressed in the emerging themes document published by the LEP, and urge you to include actions aimed at fostering a low carbon economy in the final Economic Development Plan.

London’s economy could benefit if we exploit the opportunities of the climate change mitigation and adaptation sector. According to government estimates 4,000 Londoners are employed in this sector, which has a city-wide turnover of £431 million.³ This sector has been growing across the UK, but less quickly than in other countries. The LEP should consider ways of boosting this sector in London.

Low pay

Hundreds of thousands of Londoners work in jobs that pay below the level of the London Living Wage. The most recent London Poverty Profile report found that the number of jobs paying less than the London Living Wage has increased since 2007, both in total and as a proportion of all jobs in the city.⁴ The extent of in-work poverty shows that despite

² <http://www.london.gov.uk/moderngov/ieListDocuments.aspx?CId=255&MIId=5352&Ver=4>

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209866/pb13942-nap-20130701.pdf

⁴ http://www.londonpovertyprofile.org.uk/LPP_2013_Report_Web.pdf

economic growth in London, the benefits have not been experienced across the whole city. This presents a risk to future economic performance, especially as housing costs continue to rise, because people may not be able to afford the cost of living and working in London.

We welcome the Mayor's commitment to the London Living Wage and efforts to engage employers, but it is not enough. In the Committee's report, *Fair Pay: Making the London Living Wage the norm*, we recommended that the LEP should monitor the progression of LEP-funded training recipients into living wage jobs, and produce plans to target part-time jobs in particular.⁵ These should be reflected in the Economic Development Plan.

High streets

High streets are a vital part of London's economy. Although the employment and growth contribution is smaller than other sectors, vibrant local high streets provide job and business opportunities for thousands of Londoners. They increase diversity and help ensure that economic activity is spread far across the city rather than being concentrated in the centre.

Competition from internet and out-of-town retailers has had a significant impact on high streets in London, but there are others factors contributing to high street decline that are avoidable with action from the Mayor, LEP and partners. This may include, as we recommended in our 2013 report *Open for Business: Empty shops on London's high streets*, new planning policies to ensure diversity, compulsory purchase of long-term empty units, a register of landlords and advice for small businesses on lease negotiations.⁶

Monitoring

We believe the Economic Development Plan should have clear actions and include a set of targets or benchmarks against which progress can be measured. This is necessary because it helps ensure that the LEP and partner organisations know what steps are required of them, and how to judge the success of their actions. A timeframe for delivery must also be included.

Thank you for providing us with the opportunity to shape the work of the London Enterprise Panel. We look forward to further discussions as you develop the Economic Development Plan.

Jenny Jones AM
Chair, Economy Committee

⁵ <https://www.london.gov.uk/sites/default/files/Economy%20Committee%20Fair%20Pay%2011%20Feb%2014.pdf>

⁶ http://www.london.gov.uk/sites/default/files/FINAL_Economy%20Committee_empty%20shops%20report.pdf