

**Working Paper to Support the  
Outer London Commission**

***Sources of Endogenous Growth in Outer London:  
A Case Study of North East London***

**September 2009**

LDA Planning and Strategy Team in conjunction with

**Innovación**

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## 1 Introduction

- 1.1.1 An earlier worknote<sup>1</sup> investigated endogenous or internal sources of employment growth in Merton and south west London by reviewing the performance of industrial sub-sectors and considered their linkages to growing residential populations and demand.
- 1.1.2 This worknote completes the same analysis for Redbridge, another borough with high levels of population growth, and an outer north east London sub-region composed of Barking and Dagenham, Havering, Redbridge and Waltham Forest. Comparisons are drawn with Merton and south west London (composed of Kingston, Merton and Sutton) where instructive.

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<sup>1</sup> 'Sources of Endogenous growth in Outer London: A Case Study of South West London' (Innovacion, August 2009)

## 2 Key Findings

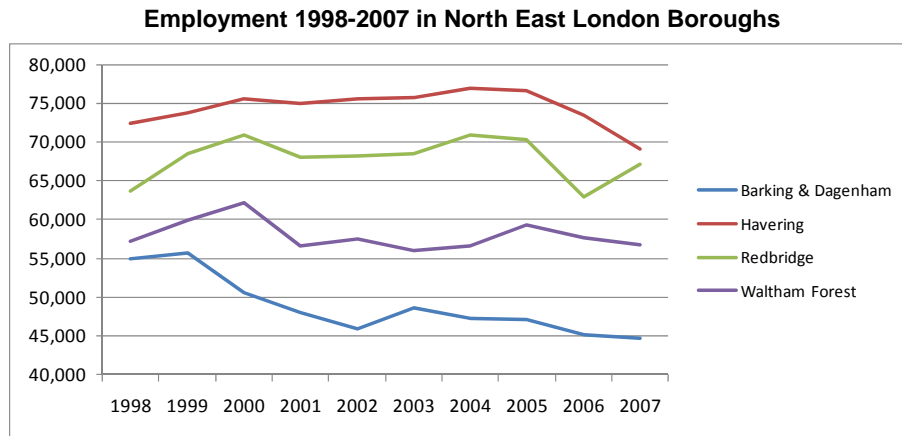
- ✓ While total employment declined by more than 10,000 jobs in north east London between 1998 and 2007, more than 3,330 jobs were added in Redbridge.
- ✓ While Merton and Redbridge have been boroughs experiencing high rates of growth in their residential populations – relatively some of the highest of outer London areas - total employment has not increased in Merton since 1998.
- ✓ Partly due to their expanding populations jobs densities<sup>2</sup> have declined in both boroughs so by 2007 there was about two local residents for each local job.
- ✓ Medical/health and education sub-sectors were the main internal or endogenous sources of job creation in Redbridge between 1998 and 2007. However in Merton a greater range of sectors grew faster to add more jobs. Merton has experienced a greater level of both job creation and job loss than Redbridge since 1998 – one indicator of a more dynamic and responsive economy.
- ✓ In north east London business services and education have been the main generators of employment growth. However, comparatively, south west London has experienced a greater level of job creation and a lower level of job loss since 1998 to give a better overall employment performance than north east London.
- ✓ While employment creation in Redbridge has been heavily dependent on two areas (medical and health and education sectors contributing 58% of the total), in Merton no single sector accounted for more than 15% of growth suggesting a broader economic base.
- ✓ In Redbridge more than 82% of the jobs growth has been related to sectors largely driven by residential demand. Residential based growth plays an even more important role in employment growth in Redbridge than Merton and also in north east London than south west London.
- ✓ Business constraints are broadly similar between south west and north east London: most notably a lack of skilled employees, government regulations, a lack of affordable housing and transport within London. However crime, government regulations and cost of current premises are more important business issues in north east London.
- ✓ One half of all sales and one quarter of supplies come from the borough where a business is located in north east London, indicating more locally orientated businesses than south west London where higher levels of business exporting also occur.

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<sup>2</sup> Job densities show the number of jobs in an area divided by the resident working age population. The total number of jobs is a workplace measure and comprises employee jobs, self employment, government supported trainees and HM Forces. A job density of 1.0 would mean that there is one job for every resident of working age.

### 3 Employment in North East London

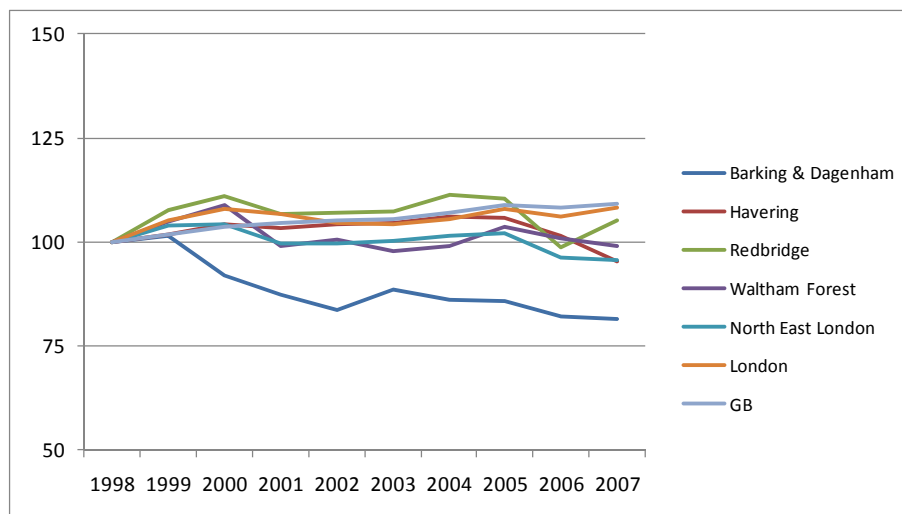
3.1.1 Between 1998 and 2007 total employment declined in outer north east London by 10,600 jobs (-4.3%). While major contractions occurred in Barking and Dagenham (-10,200 jobs or -19%), Havering (-3,300 jobs or -5%) and to a lesser extent Waltham Forest (-490 jobs or -1%) over the period, employment increased in Redbridge by 3,350 jobs (+5%).



Source: ONS ABI

3.1.2 With the exception of Redbridge all boroughs lagged behind the growth rates achieved in London and GB.

**Employment 1998-2007 in North East London, London and GB (Index 1998=100)**



Source: ONS ABI

## 4 Change 1998-2007: Sub-regional comparison

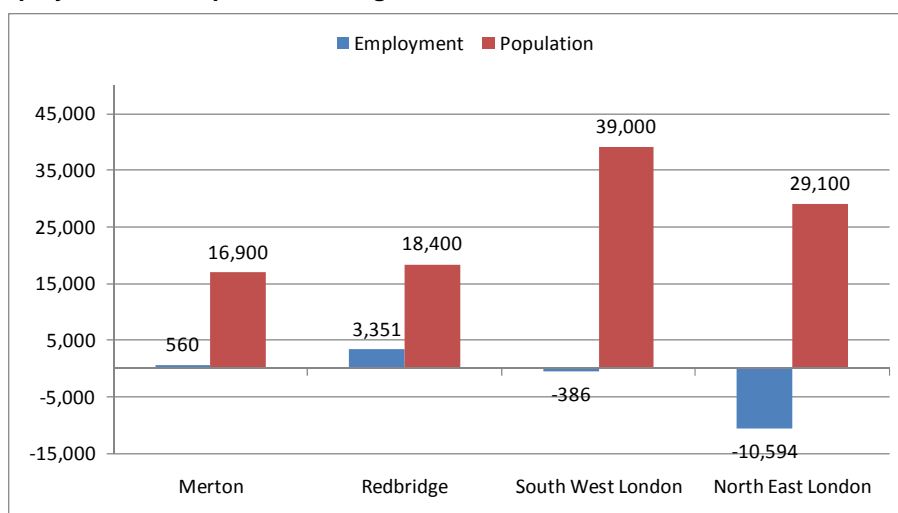
4.1.1 While the population of Redbridge is 28% larger than Merton the two boroughs have broadly similar sized economies. North east London has 60% more residents than south west London but an economy that is only 23% larger in terms of employment.

### Employment and Population 2007

	Merton	Redbridge	South West London	North East London
Population 2007	199,300	254,400	543,100	872,000
Change 1998-2007	+16,900	+18,400	+39,000	+29,100
Employment 2007	64,321	67,101	199,481	237,674
Change 1998-2007	+560	+3,351	-386	-10,594
Job Density <sup>3</sup> 1998	0.68	0.55		
Job Density 2007	0.58	0.49		

4.1.2 Both Merton and Redbridge have experienced high levels of population growth since 1998. In relative terms Merton (+9.3%) has grown faster than larger Redbridge (+7.8%) although the absolute increase is greater in Redbridge (+18,400) than Merton (+16,900). Both boroughs are amongst just three outer London boroughs in the top eleven boroughs in London when ranked by relative growth in population between 1998 and 2007<sup>4</sup>. Over the same period employment growth has been much greater in Redbridge (+3,351 jobs or +5%) than in Merton. Due largely to the high population growth job densities have declined in both boroughs to a level where there are about two working age residents for each local job.

### Employment and Population Change 1998-2007: South West and North East London



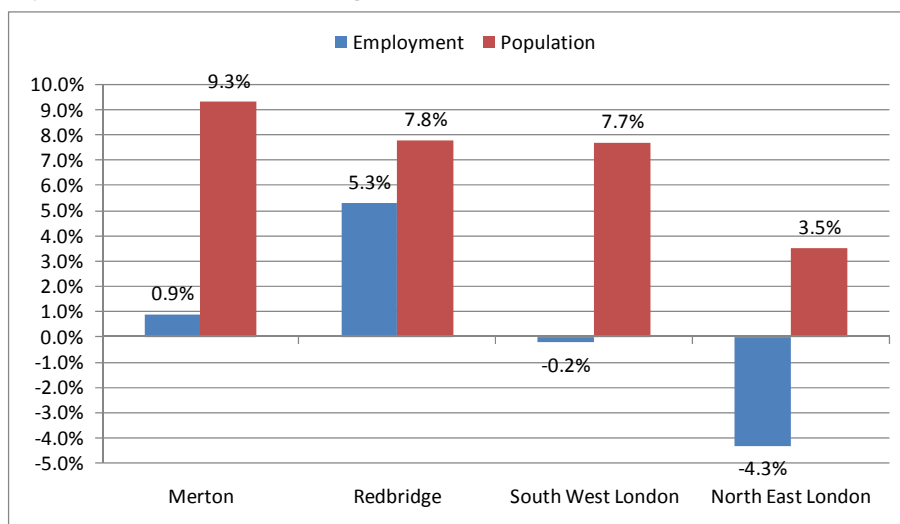
Source: ONS ABI, Innovacion Analysis

<sup>3</sup> Job densities show the number of jobs in an area divided by the resident working age population. The total number of jobs is a workplace measure and comprises employee jobs, self employment, government supported trainees and HM Forces. A job density of 1.0 would mean that there is one job for every resident of working age.

<sup>4</sup> In absolute terms the highest population increases were in Westminster (+49,400 or +27%) and Camden (+48,000 or +26%).

4.1.3 Sub-regionally population growth has been much higher in south west London (+8% or +39,000 residents) than in north east London (+4% or +29,000). While the south west London economy in effect experienced zero net growth between 1998 and 2007, the north east London economy contracted by more than 4% leading to the loss of 10,600 jobs.

**Employment and Population Change 1998-2007 (%): South West and North East London**



Source: ONS ABI, Innovacion Analysis

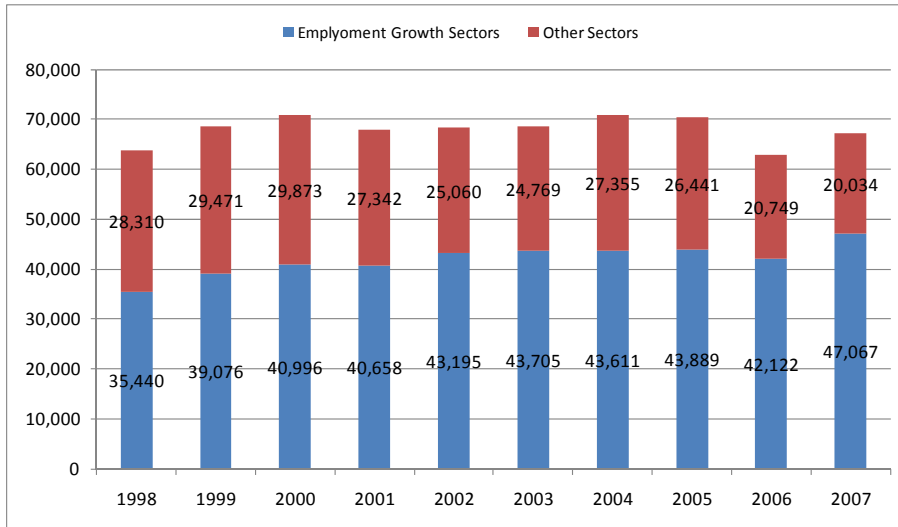
## 5 Employment Growth Sectors in North East London

5.1.1 Some 33 industrial sectors out of 221 sectors<sup>5</sup> in total showed positive employment growth between 1998 and 2007 in Redbridge. In gross terms these growth sectors when combined have expanded by 33% between 1998 and 2007 providing an additional 11,600 jobs, at an annualised rate of 3%. Providing 35,400 jobs in 1998 these sectors expanded to provide 47,100 jobs in Redbridge by 2007. The importance of these sectors to the local economy has increased over time. In 1998 these sectors provided 56% of all jobs but by 2007 contributed 70% of all employment.

5.1.2 In comparison in Merton a greater range of sectors (51) grew faster (at 4% per annum) to add more jobs (13,900). The relative difference in total employment change over the period – an increase of 3,350 jobs in Redbridge compared to just 560 extra jobs in Merton – is explained by the greater job loss in other ‘non-growth’ sectors in Merton (-13,330) compared to Redbridge (-8,280). Therefore Merton has experienced a greater level of both job creation and job loss than Redbridge since 1998.

<sup>5</sup> Based on 3 digit SIC sectors which have created more than 25 jobs between 1998 and 2007.

### Employment Growth Sectors 1998-2007 in Redbridge

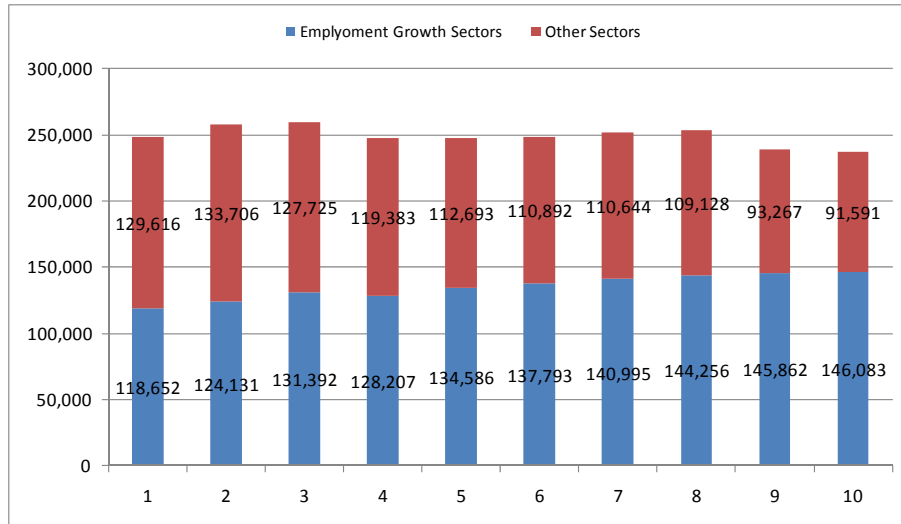


Source: ONS ABI, Innovacion Analysis

- 5.1.3 Some 49 industrial sectors out of 221 sectors<sup>6</sup> in total showed positive employment growth between 1998 and 2007 in north east London. In gross terms these growth sectors when combined have grown by 23% between 1998 and 2007 providing an additional 27,400 jobs, at an annualised rate of 2%. Providing 118,700 jobs in 1998 these sectors expanded to provide 146,100 jobs by 2007. The importance of these sectors to the sub-regional economy has increased over time. In 1998 these sectors provided 48% of all jobs but by 2007 contributed 61% of all employment.
- 5.1.4 In comparison in south west London a slightly greater range of sectors (52) grew faster (at 4% per annum) to add slightly more jobs (31,100) despite being an economy that is 20% smaller than north east London in employment terms. The relative difference in total employment change over the period – a small loss of 360 jobs in south west London compared to the loss of 10,600 jobs in north east London – is explained by the greater job loss in other ‘non-growth’ sectors in north east London (-38,000) compared to south west London (-31,500). Therefore, compared to north east London, south west London has experienced a greater level of job creation and a lower level of job loss since 1998.

<sup>6</sup> Based on 3 digit SIC sectors which have created more than 25 jobs between 1998 and 2007.

### Employment Growth Sectors 1998-2007 in North East London

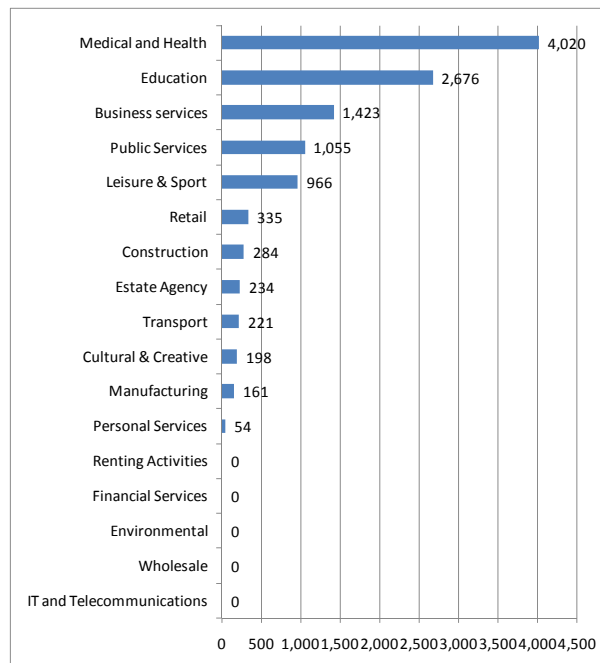


Source: ONS ABI, Innovacion Analysis

## 6 Endogenous Sources of Growth: North East London

6.1.1 In Redbridge the main internal or endogenous sources of growth have been sub-sectors in medical and health (+4,000 jobs), education (+2,700 jobs) followed by business services (+1,400 jobs) and public services (+1,100 jobs).

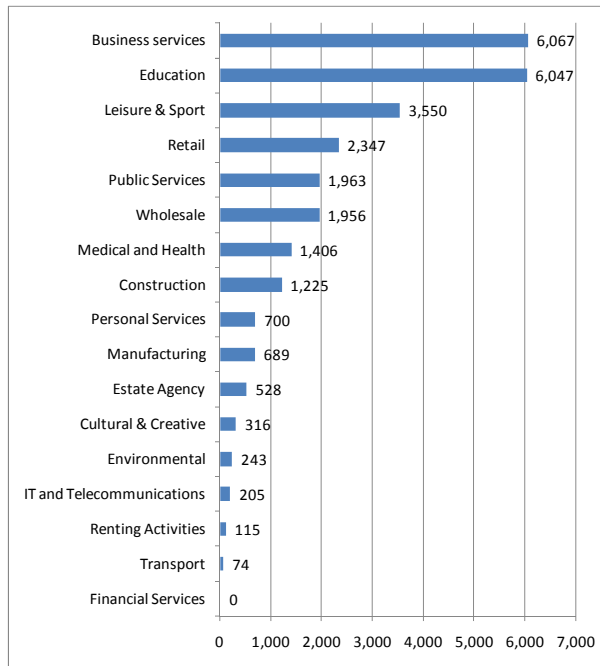
### Jobs Growth in Employment Growth Sectors 1998-2007 in Redbridge



Source: ONS ABI, Innovacion Analysis. These are bespoke sectors so, for example, manufacturing, just includes selected manufacturing sub-sectors.

6.1.2 In north east London parts of business services and education have been the main generators of employment growth, both adding more than 6,000 jobs. Growing parts of leisure and sport added a further 3,550 jobs.

### Jobs Growth in Employment Growth Sectors 1998-2007 in North East London

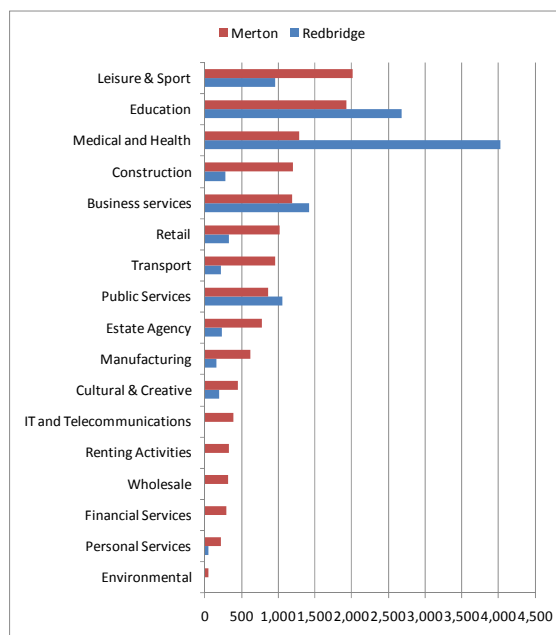


Source: ONS ABI, Innovacion Analysis. These are bespoke sectors so, for example, manufacturing, just includes selected manufacturing sub-sectors.

## 7 Endogenous Sources of Growth: Sub-Regional Comparison

7.1.1 Compared to Merton where job growth was recorded in 17 broader employment sectors, job growth in Redbridge has occurred in fewer sectors (just 12) and been heavily concentrated in two areas (medical and health and education) which accounted for 58% of the total expansion of the employment growth sectors. In Merton no single sector accounted for more than 15% of the expansion of employment growth sectors suggesting a broader economic base.

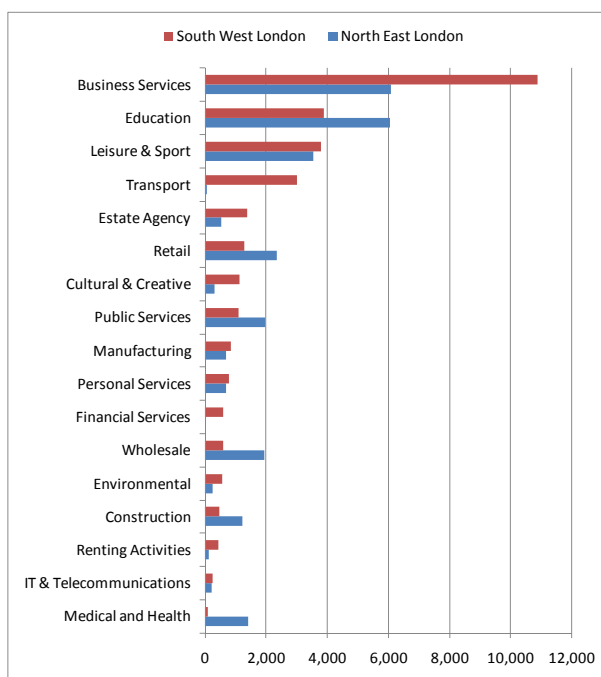
### Jobs Growth in Employment Growth Sectors 1998-2007 in Merton and Redbridge



Source: ONS ABI, Innovacion Analysis. These are bespoke sectors so, for example, manufacturing, just includes selected manufacturing sub-sectors.

7.1.2 Compared to south west London, north east London had slightly fewer sources of growth and the importance of business service growth appears much reduced, adding 6,100 jobs compared to 10,900 extra business service jobs in south west London despite being a larger sub-regional economy<sup>7</sup>.

### Jobs Growth in Employment Growth Sectors 1998-2007 in South West and North East London



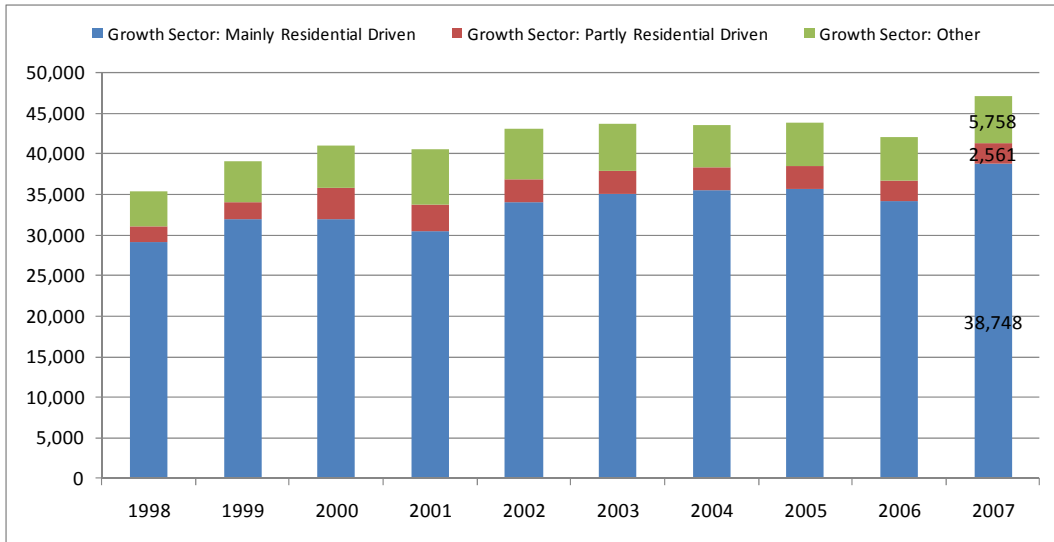
Source: ONS ABI, Innovacion Analysis. These are bespoke sectors so, for example, manufacturing, just includes selected manufacturing sub-sectors.

## 8 Role of Residential Demand: North East London

8.1.1 Increasing residential demand linked to population growth has played a key role in the expansion of employment growth sectors. In Redbridge more than 82% of the jobs growth has been related to sectors largely driven by residential demand and a further 6% linked to sectors partly dependent on residential demand. Comparatively, this suggests that residential based growth plays a more important role in employment growth in Redbridge than Merton.

<sup>7</sup> Industrial structure is important in setting parameters for future 'path dependency' of an economy. In 1998 financial and business services (FBS) made up 24% of the south west London economy compared to 18% in north east London and 31% across London. By 2007 this had increased to 26% in south west London (adding 3,800 FBS jobs) compared to a smaller proportionate increase to 19% in north east London (+500 FBS jobs) and a greater increase in London to 34% (adding 212,000 FBS jobs).

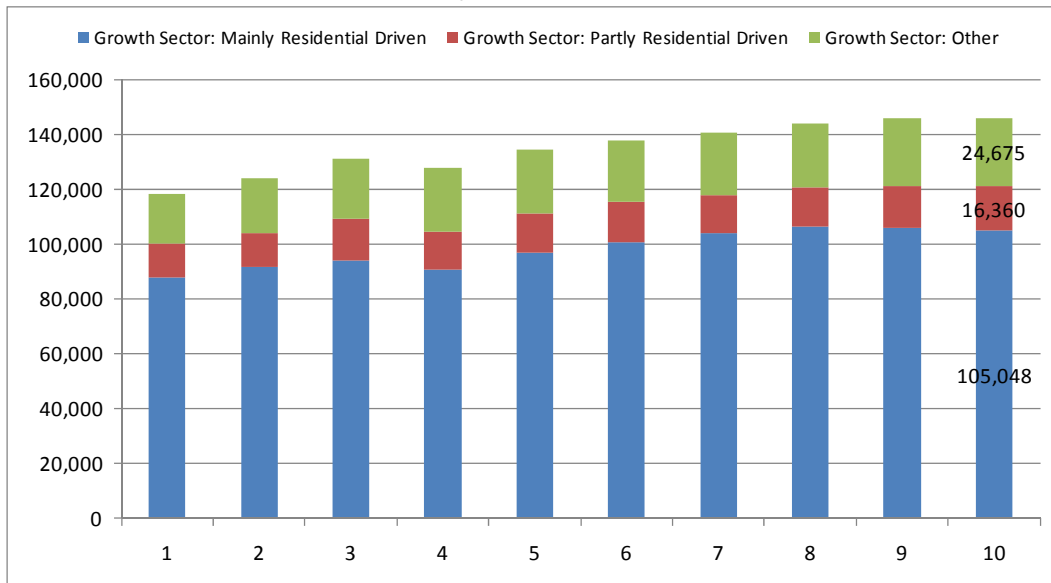
### Residential Driven Employment 1998-2007 in Redbridge



Source: ONS ABI, Innovacion Analysis

8.1.2 Increasing residential demand linked to population growth has played a key role in the expansion of employment growth sectors. In north east London 61% of the jobs growth has been related to sectors largely driven by residential demand and a further 16% linked to sectors partly dependent on residential demand. Other growth sectors explain 23% of employment growth. As only 43% of employment growth in south west London has been related to sectors largely driven by residential demand this suggests that residential based growth plays a more important role in employment growth in north east London.

### Residential Driven Employment 1998-2007 in North East London

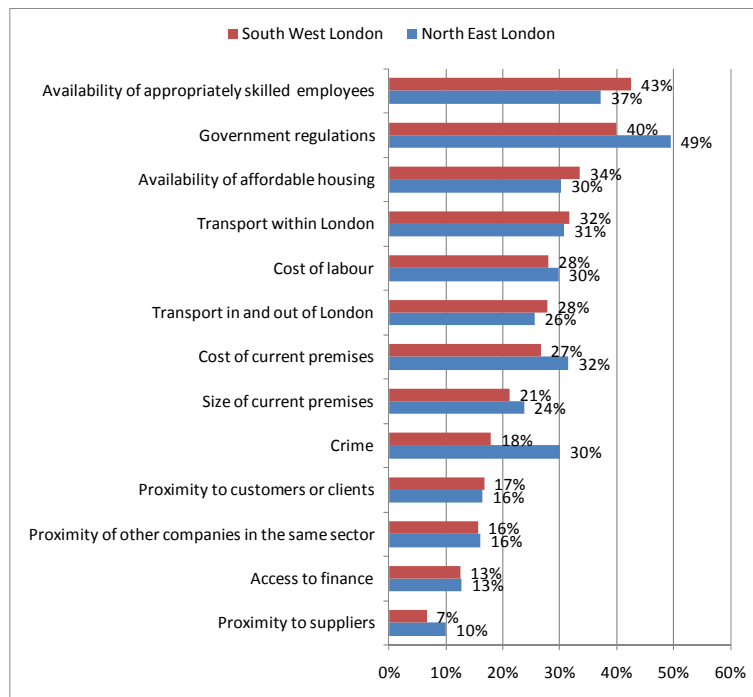


Source: ONS ABI, Innovacion Analysis

## 9 Business Constraints: Sub-regional comparison

9.1.1 The range of business constraints that could prevent the future growth of these key sectors are broadly similar between south west and north east London: most notably a lack of skilled employees, government regulations, a lack of affordable housing and transport within London. However crime, government regulations and cost of current premises appear to be more important issues in north east London.

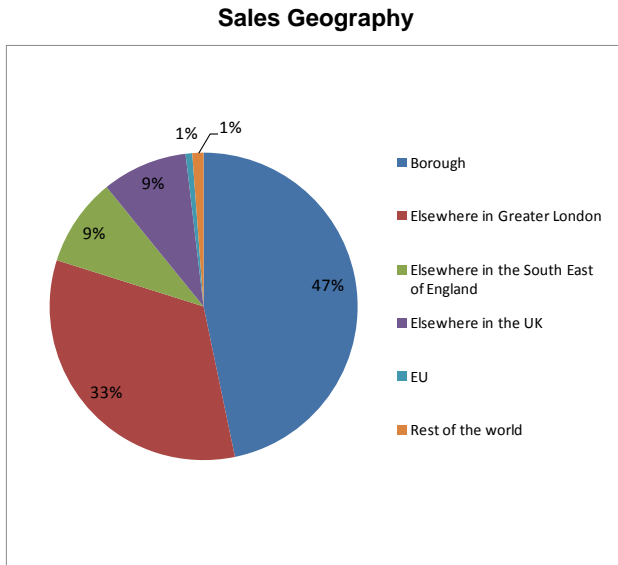
**Business Constraints for firms in South West and North East London 2007 (rated significant or very significant)**



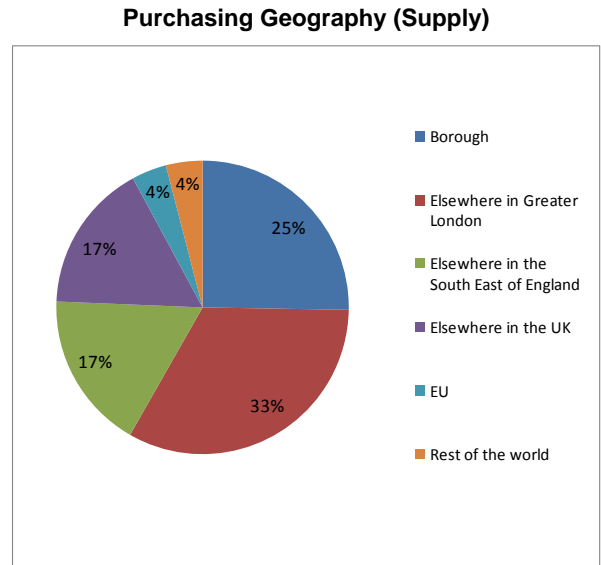
Source: London Annual Business Survey 2007, Innovacion Analysis. Sample of 330 firms in south west London and 355 firms in north east London.

## 10 Economic Linkages: North East London

10.1.1 Growing these sectors in north east London could also create wider economic benefits. There are important linkages to the local and regional economies with 47% of all sales by firms in north east London occurring in their borough (and a total of 80% within London) and 25% of supplies being sourced from within their borough (and a total of 58% from across London). Compared to south west London a greater proportion of sales are local for north east London firms and local sourcing is more pronounced. Exporting is higher in south west London (14% of firms) compared to north east London (just 8% of firms).



Source: London Annual Business Survey 2007. Firms in North East London. Sample of 355 firms.



Source: London Annual Business Survey 2007. Firms in North East London. Sample of 355 firms