

## Agenda item 1

# Economic Development Partnership Board Notes

3 – 5pm, Tuesday 8 September 2009

## Executive Summary

The Board, Chaired by Cllr Guy Nicholson, focused on two really important topics for discussion. The first was the recommendations from the Economic Development Network consultation. The ideas discussed as part of this agenda item were picked up throughout the rest of the meeting, as to how best to ensure the valuable contribution of the voluntary sector is captured in the bidding process.

The second key item was around commissioning. The Board agreed, with some revisions, to the City Strategy Pathfinder spec; one of Team Hackney's key projects, and the specifications on apprenticeships and volunteering, two areas highlighted by the board for additional focus. The chair also welcomed Matthew Thompson, the newly appointed Social Enterprise rep to the board.

Role	Name	Organisation	Present	Apology
Co-Chair	Guy Nicholson	Cabinet Member, Regeneration and the Olympics	✓	
Co-Chair	Ian Ashman	Principal, Hackney Community College	✓	
Member	Steve Douglas	Interim Corporate Director N&R, Hackney Council		✓
	Bisi Ojuri	Economic Development Network Representative	✓	
	Yvonne Servante	Deputy Director (Secondary), Learning Trust	✓	
	Janet Bywater	Partnership Director, Learning and Skills Council	✓	
	Louise Muller	Programme Manager, ELBA,		✓
	Derek Harvey	External Relations Manager, Job Centre Plus	✓	
	Rosie Holcroft	Senior Regeneration Manager, LDA	✓	
	Lesley Mountford	Director of Public Health, City & Hackney PCT		✓
	Steve McDonald	Interim Head of Regeneration, Hackney Council	✓	
	Matthew Thompson	Social Enterprise Representative	✓	
	Avril McIntyre	Economic Development Network Representative	✓	
Adviser	Natalie Errington	Partnerships Advisor, Hackney Council	✓	
	Seth Anyetei	Partnership Support Officer, Hackney Council	✓	
Guest /Presenter	Sonia Khan	Head Of Strategic Commissioning, Hackney Council	✓	
	Nadeem Malik	CSP Programme Manager, Hackney Council	✓	
	Juniper-Hope Strong	Head of Service - Partnership and Investment, Hackney Council	✓	
	Javad Oussalian	Employment and Training Manager, Hackney Council	✓	
	Crystal Todd	Economic Development Network Officer	✓	
	James Palmer	Head of Strategic Partnerships, Hackney Council	✓	

	Discussion and Decision	Actioned by whom	Actioned by when
1.	<b>Welcome, Introductions and Overview</b>  Apologies were received from Steve Douglas who was represented by Stephen McDonald, the new Interim Assistant Director for Regeneration. Louise Muller and Lesley Mountford		

	<p>also sent their apologies.</p> <p>The notes from the previous meeting were agreed as accurate.</p> <p>The Board was introduced to Matthew Thompson, the new Social Enterprise Representative. He will be working with a network of Social Enterprises on the introduction of a social enterprise sub-group, leading to the development of a social enterprise strategy,</p> <p>The Board also heard that plans to elect an enterprise support member were in the consultation phase with Hackney Enterprise Network.</p> <p>Scrutiny review Individual partners had fed back separately to the relevant recommendations within the Scrutiny review. It was proposed that this EDP response and how partners were working towards the recommendations would be worked on at the next Worklessness Policy and Performance Group, to bring back to the next EDPB for final discussion and approval.</p> <p>Declaration Of Interests: Bisi Ojuri declared a potential interest where volunteering would be discussed under Item 4. Juniper Hope Strong declared a potential interest where the CSP was going to be discussed under Item 4.</p> <p><b>ACTION</b></p> <ol style="list-style-type: none"> <li>1. Agreed the EDPB scrutiny response to be drafted as part of the next Worklessness Policy and Performance Group (WPPG) for final discussion at the next EDPB.</li> </ol>	WPPG – draft action plan	Next WPPG meeting (TBC)
2.	<p><b>Economic Development Network consultation on Worklessness</b></p> <p>Avril provided a summary of discussions held around worklessness at the well-attended Economic Development Network (EDN) consultation event on Wednesday 20 May 2009. The Board then discussed two key recommendations around tackling worklessness which the network formulated.</p> <p>To optimise the contribution of the Voluntary and Community Sector in the bidding process the Board suggested that:</p> <ul style="list-style-type: none"> <li>• The use and expertise of different agencies at different stages of a service-users journey from worklessness to employment be encouraged.</li> <li>• Funders as well as providers should be invited to partake at the planned EDN event.</li> <li>• Since the EDN discussions were similar to those held by the local employment partnership a way of joining up their work could be devised.</li> </ul>		

	<ul style="list-style-type: none"> <li>• There should be a focus on geographic or themes at the EDN event. Geographic worklessness hotspot targets would be the most beneficial.</li> <li>• Where commissioning is concerned the possibility of linking EDN plans with CSP implementation should be investigated further</li> <li>• The Learning Skills Council, JobCentre Plus (JCP) and other relevant operators were keen to attend the EDN event.</li> <li>• There should be out of meeting discussions to inform target audience of unclaimed awards and unused incentives should be looked into.</li> <li>• The model of encouraging the involvement of smaller voluntary sector groups in the bidding process with larger providers is not restricted to the issue of worklessness. It is therefore proposed that this model could be rolled out across the whole of Team Hackney.</li> </ul> <p><b>ACTIONS</b></p> <p>2. Commitment to participate in the EDN event to be held mid November for Job Centre Plus and the Learning and Skills Council</p> <p>3. Scoping out the event in more details. The EDN to be supported by the Partnership and Investment Team, and Strategic Partnerships.</p> <p>4. To provide relevant data to the EDN to base the event around geographically focused.</p>	<p>Janet Bywater, Derek Harvey</p> <p>Crystal Todd Avril McIntyre Juniper Hope-Strong Natalie Errington</p> <p>Andrew Munk</p>	<p>Mid-November</p> <p>Mid-September</p> <p>Mid-November</p>
3.	<p><b>Quarterly Performance</b></p> <p>Natalie reported that all quarterly LAA performance across Team Hackney was to be reported to the EDPB in order to provide the full picture.</p> <p>Andrew reported on the specific neighbourhood and regeneration targets and indicators including the most recent Job Seeker Allowance figures.</p> <p>There was extensive discussion in relation to the 2007-2010 incapacity benefit LAA stretch target (NR 12 LAA Number of residents in receipt of incapacity related benefits for a minimum of 6 months, assisted into sustained employment - cumulative since 2007/8 (stretch)). A range of reasons were discussed as to why it would be difficult to achieve this target. This information is to be condensed into one report to indicate that whilst the target cannot be achieved, the partnership can prove</p>		

	<p>it is tackling this issue, it is simply that the stretch target is not as relevant as it should be</p> <p><b>ACTION</b> Report on the incapacity benefit LAA target to be produced.</p>	Andrew Munk	Next EDP Meeting (2 December 2009)
4.	<p><b>Commissioning</b></p> <p>Sonia reported that the City Strategy Pathfinder (CSP) deadline had been stretched to 10 September giving all members more time to contribute to the final look specification as PIE will receive it.</p> <p>The Board agreed on the merit of including intermediate goals and other flexible ways of working and not being solely focussed on standard outcomes. It was agreed that there should be narrative within the submission explaining why a non-standard approach is being considered.</p> <p>Also noted was the importance of shaping the CSP around incoming legislation to avoid the duplication of work being carried out statutorily by JCP and other providers.</p> <p>It was noted that all future jobs fund related work has to be community focused so it cannot fund apprentices into private organisations, but can therefore fund social enterprise apprenticeships.</p> <p>The earlier discussions about the involvement of smaller voluntary sector organisations in bids was also picked up here, and how this could be worked into future specification.</p> <p><b>ACTIONS:</b></p> <p>5. The Apprenticeships and volunteering specification to be updated with the comments and revisions given at the meeting and re-circulated.</p> <p>6. The CSP specification was approved with recommendations. The final version of the specification to be circulated to the Board for information.</p>	<p>Sonia Khan</p> <p>Sonia Khan</p>	<p>11 Sept 2009</p> <p>11 Sept 2009</p>
5.	<p><b>Updates</b></p> <p>The Board discussed ways of developing the approach to achieving the objectives within the Skills Strategy. There are concerns that the implementing of the skills strategy seems to have stalled. It was suggested that the implementation of the skills strategy needed greater ownership and it was agreed that this would be taken forward by Neighbourhoods and</p>		

	<p>Regeneration.</p> <p>How best to populate the missing information within the Skills Implementation Plan, and how current commissioning (including CSP) impacts on the Skills Strategy was discussed. It was agreed the work on implementing the Skills Strategy should be lead by WPPG. However, it was agreed there needed to be a review of the WPPG to ensure that it has the right membership and had robust communication channels with the Board.</p> <p>The Board agreed that identifying sources of funding from 2010 would be a key item for discussion at the Whole Partnership event in January 2009.</p> <p><b>ACTIONS</b></p> <p>7. WPPG to work with Neighbourhoods &amp; Regeneration (N&amp;R) to lead on implementing the Skills Strategy</p> <p>8. To review the terms of reference and membership of WPPG; to enhance the decision making process and formalise the way it reports to with EDP</p>	<p>Strategic Partnerships Team</p> <p>Juniper Hope-Strong Strategic Partnerships Team</p>	<p>Ongoing</p> <p>Next WPPG Meeting (TBC)</p>
6.	<p><b>Local Employment and Training Framework (LETf)</b></p> <p>The Board heard that £16 million has been made available by London Development Agency (LDA) across the five 2012 host boroughs. This is in addition to already existing allocation of £9.6 million up to December 2009 to the job brokerage, training, employment and business support programme to assist residents and businesses. Hackney's proposal will compliment the work of the City Strategy Pathfinder.</p> <p>The Board heard that the 5 host boroughs are respectively preparing a business plan as opposed to a bid. It was important that partners agree priorities and the high level objectives be identified as soon as possible and incorporated into the draft proposal.</p> <p>The N&amp;R planners welcome ideas from successful plans that have served as catalysts for sustainable investments and new ideas.</p> <p>Rosie Holcroft from LDA acknowledged that there were obvious limits to existing opportunities directly linked to the Olympics so different areas are being considered. LBH, 5 boroughs and relevant partners are in the best place to specify alternatives where money is best spent. Primary emphasis is still on 5 borough training and employment around Olympics.</p>		

	<p>N&amp;R Officers involved in developing the LETF offer, intend to improve communications with the LDA and obtain clarity around: how the LDA priorities may change; what takes place after 2012; and what happens between January 2010 and March 2010. The need to obtain this clarity underlines the importance of consultation.</p> <p><b>ACTION:</b> To circulate the proforma prepared by the Partnership and Investment Team which will be used to draw up the business plan for the next round of the LDA's Local Employment and Training Framework.</p>	Juniper Hope-Strong	17 September 2009
7.	<p><b>AOB</b></p> <p>The Board noted that</p> <ol style="list-style-type: none"> <li>1. Under the Childcare affordability programme funding is available for parents in employment that qualify.</li> <li>2. The Primary Care Trust's paper on Worklessness is currently out for consultation.</li> </ol>		

Please note the dates of future meetings:

Date	Meeting	Time and venue
2 December 2009	Economic Development Partnership	3-5pm Hackney Community College
3 March 2010	Economic Development Partnership	3-5pm Hackney Community College
1 June 2010	Economic Development Partnership	3-5pm Hackney Community College

## **Background paper- Agenda item 3**

### **Ways into Work Commissioning: Update for WPPG 13<sup>th</sup> November 2009**

#### **1. Approval by PIE**

**PIE approved interim commissioning of Ways into Work from July to September 2009 and the full commissioning of Ways into Work from October 2009 and March 2011, subject to the following conditions:**

- Agree how Incapacity Benefit claimants are supported through the programme.
- Further interrogate and if possible drive up the targets for sustained employment. The conversion of jobs into sustainable jobs is 40%.
- Undertake detailed discussions at contracting stage to ensure that each workstream is fully developed to deliver to the Local Area Agreement. This will need to be closely managed each quarter.
- The employer gateway workstream needs to work closely with the Apprenticeship Programme (see below) and lead the delivery of achievement of the 30 non-statutory apprenticeships planned through this programme. \*
- Develop an independent evaluation which will establish how the programme would be continued beyond 2011. This would need to establish where cost savings are achieved through people coming off benefits and going into work.
- Neighbourhoods and Regeneration will be expected to develop a programme of profile building with partners, potential suppliers and the community, working with Team Hackney and its partnerships and networks
- Procurement should be Compact compliant and work with Community Partnerships to ensure this

#### **2. Updates**

We have now received the Final Evaluation of Ways into Work and this will be presented to the next EDP.

The interim contract which was approved used the same contractors as the previous DWP programme. As the new procurement process will take some time to be established, we have had to extend the current interim contract to cover October to December. We expect the new programme to be in place from January.

Since approval, the commissioning team has had detailed contract negotiation discussions with the Ways into Work Team and these are detailed below. We have also had some specific discussions about supporting IB claimants.

We have also started to look at the shape and structure of a new evaluation.

#### **3. Contract negotiations with Ways into Work team**

##### **IB Claimants**

- Given the level of IB claimants in the borough, a programme of this scale has to work with this target group and at the moment the reach is minimal. We agreed that there was a need to carve out a specific programme of support within Ways into Work that targeted IB claimants. This would be in addition to the referrals to Work Directions (NB Work Directions would like to see voluntary referrals to their support increase). There was a need to start with an analysis of the numbers of IB claimants, why they are on IB and what

impact we might be able to make and what would be most effective and not duplicate statutory support.

#### **Employment sustainability**

- We agreed that these rates should actually be 60%. We also agreed that we also should be looking at 24 month targets.

#### **Detailed discussion at contracting stage**

- We have agreed that a project board would be set up involving officers from N & R and Partnerships to oversee the set up, procurement and performance management framework set up of new programme. After set up, the group would need to continue to meet, but less frequently, to review performance management.

#### **The employer gateway workstream**

- Nadeem confirmed the Employer Gateway Manager would be able to take this workstream forward, however there was a need for input from colleagues on developing sector strategies for engaging SMEs in apprentices.

#### **Independent evaluation**

- There is a need to establish how the programme would be continued beyond 2011. This would need to establish where cost savings are achieved through people coming off benefits and going into work.

#### **Avoiding duplication and building on existing expertise**

- Outreach specifications and tender specifications should encourage consortia delivery, build in the involvement of existing community based activity and draw in specialist providers when required.
- We were looking for 100% coverage on Hackney Homes estates – with 10% engagement if which 50% engage in Ways into Work (50% engage in other outcomes). We are looking for 80% coverage of all social housing. Need to ensure new specifications to RSLs require working closely with existing activities/ referrals routes.

#### **Neighbourhoods and Regeneration will be expected to develop a programme of profile building with partners, potential suppliers and the community**

- Nadeem was to ask evaluator to ensure this is covered in final evaluation recommendations- with guidance on how to step up profile using – also can use EDN. Will need further discussion at the management group which is to be set up

#### **Procurement should be Compact compliant**

- Partnerships to be consulted during procurement stage – RP2 going to Cabinet Procurement Committee on 13<sup>th</sup> November.

### **4. Ways into Work Specification and IB claimants**

The following is a summary of an exploratory meeting to take this forward.

Given the statistics and the long term nature of many people's conditions, to have an impact it is essential that an overarching and strategic approach is taken to the issue across the Ways into Work programme, rather than seeing this as a specific and discrete project. Some of the ways that this approach could be embedded into the programme were:

- Making sure that RSLs use the data they hold about their tenants to inform their approach to outreach and engagement (rather than blanket door knocking / leafleting). E.g. if they know that a tenant is a long term IB claimant, a different approach is needed



- Given the numbers of people on IB /SDA in Hackney, the proportion of those who have a mental health issue, and the likelihood of them being social housing tenants, it is essential that all initial outreach and engagement of people takes account and is sensitive to how to engage with people who are mental health service users. There is a need for outreach workers to be trained, and possibly to receive ongoing support from experts (it should be possible to draw on East London Foundation Trust, City and Hackney Mind and the new JCP Mental Health Co-ordinators)
- There is a need to review the support which people on the programme are referred on to. Does it meet the needs of those who have been out of work for a long time, and on IB?
- Given that most IB claimants will be on long term benefits, there is a need to ensure that financial inclusion and debt advice is built into the Ways in to Work Programme
- Good practice around employment support and mental health suggests that follow up and in work support is crucial. Can we ensure that this is consistent and that the follow up and progression support builds on best practice elsewhere?
- Work Directions offers follow up for 52 weeks after people are placed in work. Is the support they are allowed to have enough? And if not, can we enhance this? How are people referred from Ways into Work to Work Directions? Do we follow through and find out what has happened?

Andrew Munk will provide a further verbal update on how this work is being taken forward

## **5. Proposed evaluation**

Partnerships have had initial discussions about the type of evaluation required to assess impact of the new programme and suggest the following:

Getting the right performance management data is critical to informing an evaluation. We will be working with colleagues in Ways into Work to ensure that the following data is captured across all parts of the programme:

- 6 strands of equalities data monitoring (age/gender etc)
- Tenure and if relevant RSL
- Education and employment history
- Ward /
- Job aspiration at the beginning
- Destination by job type, terms and conditions and salary level
- Parents / lone parents

The type of evaluation which would be most useful would focus on impact rather than management or process and would include:

- Analysis of take up of support by ward, type of group and mode of engagement
- Longitudinal evaluation to establish distance travelled
- Mystery shopping

We will now be discussing this further with the Ways into Work team and colleagues in Policy and Research from Neighbourhoods and Regeneration and Corporate Policy.

Sonia Khan

13<sup>th</sup> November 2009

## Economic Development Partnership Board Meeting

2 December 2009, 15:00 – 17:00

Hackney Community College, Falkirk Street, N1 6HQ

1.	15:00 (10 mins)	<b>Welcome and apologies</b>  Notes from previous meeting, and matters arising  <b>Papers</b> EDP meeting Notes	Ian Ashman
2.	15:10 – 15:40 (30 mins)	<b>Community Safety and Social Inclusion Scrutiny Review,</b>  <b>Context</b> In May 2009 the board received the Hackney Community Safety and Social Inclusion Scrutiny Review report considering 'Worklessness - Routes to employment for those in receipt of long term inactive benefits, including it recommendations. The EDP board responded to the recommendations relevant to partners.  The EDP has now been asked to respond six months later on progress made against the original actions. As agreed at the September EDP board, the scrutiny response has been drafted as part of the next Worklessness Policy and Performance Group (WPPG) for final discussion at the next EDPB.  <b>Role of Board</b> To agree and sign off the response to the worklessness scrutiny review action plan.  <b>Papers</b> Worklessness scrutiny review action plan	Ian Ashman  Guy Nicholson
3.	15:40 – 16:20 (20 mins)	<b>CSP Evaluation - Recommendations and Ways into Work successor programme</b>  <b>Context:</b> The City Strategy Pathfinder (CSP) evaluation and successor programme report are being finalised. The Board will receive a presentation on the key findings.  <b>Role of the Board:</b> To consider the key findings and how these may shape the ways into work phase 2.  <b>Background Paper:</b> Ways into Work Commissioning: Update for WPPG	Chris Dransfield
4.	16:20 – 16:35 (15 mins)	<b>Quarterly Performance</b>  <b>Context:</b> Regular performance update and discussion	Andrew Munk

		<p><b>Role of Board:</b> To discuss and challenge performance of LAA indicators and ABG interventions, within the wider economic development performance</p> <p><b>Paper(s):</b></p> <ul style="list-style-type: none"> <li>• LAA performance report</li> <li>• Analysis of key labour market trends</li> <li>• ABG intervention - CSP ways into work: progress report</li> </ul>	<b>Natalie Allen</b>
5.	16:35 – 16:45	<p><b>Economic Regeneration Strategy</b></p> <p><b>Context</b> The Board will be introduced to work the Council is undertaking to develop an Economic Regeneration Strategy and invited to participate in an event in January to develop an Economic Vision. The EDP will be consulted on the draft strategy in the spring.</p> <p><b>Role of the Board</b> The Board will be invited to note the report</p> <p><b>Paper(s):</b> Economic Development Strategy</p>	<b>Juniper-Hope Strong</b>
6.	16:45 – 16:55 (10 mins)	<p><b>LBH response to Mayor's Economic Development Strategy</b></p> <p><b>Context:</b> In October 2009 the Mayor of London published his economic development strategy for public consultation. The London Borough of Hackney has produced a response to the consultation.</p> <p><b>Role of Board:</b> To consider the strategy and to contribute to the response.</p> <p><b>Paper(s):</b> Hackney's response to the Mayor's Economic Development Strategy for Great London Rising to the challenge – The Mayor's Economic Development Strategy for Great London</p>	<b>Andrew Munk</b>
7.	16:55 – 17:00 (5 mins)	<b>Any other business</b>	<b>Ian Ashman</b>

Please note the dates of future meetings:

<b>Date</b>	<b>Meeting</b>	<b>Time and venue</b>
3 March 2010	Economic Development Partnership	3-5pm Hackney Community College
1 June 2010	Economic Development	3-5pm

Partnership

Hackney Community College

For further information, or to suggest items for future meetings, please contact:

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**DRAFT - Community Safety and Social Inclusion Scrutiny Commission**  
**Update on recommendations from the “Tackling Worklessness” Scrutiny Review**  
**12 January 2010**

<b>Original Recommendations agreed by the Commission and OSB</b> <i>Agreed by Commission on 6 April 2009</i>	<b>Corporate Response from the relevant Cabinet Member</b> <i>Considered at Full Council on 22 July 2009</i>	<b>Update on Recommendations six months on</b> <i>For discussion at Commission 12 January 2010</i> <b>Additional comments required by:</b>
<p><u>Recommendation One</u> The Commission recommends that any MAA addressing the issue of tackling worklessness should include a requirement to lobby the Department of Work and Pensions and other government departments for:</p> <p>a) Increasing the devolution of mainstream funds to be commissioned through local partnerships.</p> <p>b) The development of re-investment mechanisms for benefit savings, to ensure a longer term sustained approach to tackling entrenched</p>	<p>In the Green Paper "No One Written Off" the Government sets out an aspiration to bring together local programmes to unify services and to provide a bigger role to local partnerships to develop, monitor and even contract for services.</p> <p>The paper sets out 3 models of devolution. The 3<sup>rd</sup> model - the joint venture - offers local partners the opportunity to manage contracts directly where appropriate.</p> <p>Partners are required to demonstrate;</p> <ul style="list-style-type: none"> <li>• ambitious pooling of budgets;</li> <li>• record of successful delivery;</li> <li>• partnership working</li> <li>• and clear governance arrangements.</li> </ul>	<p><b>Increasing the devolution of mainstream funds to be commissioned through local partnerships.</b></p> <p>The Five Host Borough is coordinating this approach on behalf of the Olympic Boroughs and has requested devolved budgets, which is being considered by relevant Government Departments/ Agencies.</p> <p>However LBH are also arranging to meet with all organisations invited to submit to stage 2 of the FND bidding round. The aim is to inform and align local delivery to support the Ways into Work programme beyond March 2011.</p> <p>Successful funding bids have been submitted for both ESF cofinance and ESF transnational programmes, both of which are now aligned under the WiW umbrella. An additional bid is currently being developed under the 'Green Skills' element of the LDA new commissioning framework.</p>

## Agenda item 2

Update on recommendations on 'Tackling Worklessness'  
Scrutiny Review – 12 January 2010

<b>Original Recommendations agreed by the Commission and OSB</b> <i>Agreed by Commission on 6 April 2009</i>	<b>Corporate Response from the relevant Cabinet Member</b> <i>Considered at Full Council on 22 July 2009</i>	<b>Update on Recommendations six months on</b> <i>For discussion at Commission 12 January 2010</i> <b>Additional comments required by:</b>
<p>worklessness beyond 2011.</p> <p>c) Increased flexibility on the extension of in-work benefits, Housing Benefit and in-work financial support during the transition period for those moving off health related benefits and starting employment, in order to ensure that their employment is sustained.</p> <p>d) Increased flexibility to allow those claiming benefits to remain on appropriate and established vocational courses of their choice, rather than being forced onto similar courses, accredited by Job Centre Plus, or risk losing their benefits.</p> <p>e) Ensuring that cuts to funding of ESOL (English for Speakers of Other Languages) as experienced by major local providers are reversed and that in</p>	<p>Where these goals are met DWP proposes to allow partners to let contracts and allocate ESF</p> <p>The Council believes that our City Strategy Pathfinder (CSP), the Single Points of Access Service (SPA) and the Local Employment and Training Framework (LETF) programme combined with the investment in local labour market schemes provides a substantial body of evidence to support all these criteria.</p> <p>The MAA was submitted to government in June 2009. At the outset of the CSP we asked for;</p> <ul style="list-style-type: none"> <li>• Flexibility on eligibility rules</li> <li>• Review the 16 hr rule</li> <li>• An extension to work trials</li> <li>• And to explore outcome targets</li> </ul> <p>During the development of this MAA we have had a positive response from DWP on the first three of these measures; the fourth is still under discussion.</p>	<p>Briefing paper submitted to RSG regarding capacity of WiW programme to deliver additional allocation of £1.1m WNF announced by DCLG for LBH in November 09'.</p> <p><b>The development of re-investment mechanisms for benefit savings, to ensure a longer term sustained approach to tackling entrenched worklessness beyond 2011.</b></p> <p>Issue paper submitted to DWP making the case for recycling benefits saving into the delivery of employment activities via housing service. This is currently being considered by DWP.</p> <p><b>Ensuring that cuts to funding of ESOL (English for Speakers of Other Languages) as experienced by major local providers are reversed and that in particular funding mechanisms are found which support not just those on benefits but also those on low pay, who cannot afford to personally fund ESOL classes.</b></p> <p>City Strategy Pilot- ESOL for Work programme launched in December 2008. Five providers in Hackney delivering work focussed ESOL programmes to parents on benefits. The programme is linked to the Single Points of Access, which refer suitable clients onto the programme. Childcare is seen as a barrier to participation, LSC has recently introduced a dedicated childcare fund to support beneficiaries. The programme is due to end December 2010. Programme and provider management will move across to the Skills Funding Agency on abolition of the LSC.</p>

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Update on recommendations on 'Tackling Worklessness'  
Scrutiny Review – 12 January 2010

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<p>particular funding mechanisms are found which support not just those on benefits but also those on low pay, who cannot afford to personally fund ESOL classes.</p> <p>f) Ensuring that funding of the Childcare Affordability Project is extended. The Commission learned about the success of this scheme in providing financial support to parents during their transition off benefits and into employment. It was noted that the project had been funded by the London Development Agency and the Department of Children Schools and Families and that a 'CAP2' was in the process of negotiation.</p>	<p>We have responded formally to the draft MAA worklessness theme document by identifying nine key areas requiring further work before any formal recommendations could be made, those of direct relevance to recommendation one are;</p> <ol style="list-style-type: none"> <li><i>1. The overall proposals should reflect more prominently the ambition of the MAA to bend and apply mainstream funding resources locally i.e. Imaginative use of funds for local initiatives should not be restricted to simply local funding sources.</i></li> <li><i>2. DWP flexible new deal contracts constitute the bulk of commissioned provision for employment support. As phase 1 contracts have already been let, further detail is required to understand what the reconfiguration of management requests could actually achieve for both phase 1 and phase 2 contracts.</i></li> <li><i>3. LSC contracts for 'Next steps' have already been let, therefore as above the</i></li> </ol>	<p>LSC provides Additional Learning Support (ALS) funding available to providers to help support some of those on low pay to access ESOL courses. But funding is limited and is at providers discretion as this type of funding has a support a range of learners with a variety of needs.</p> <p><b>Ensuring that funding of the Childcare Affordability Project is extended.</b> CAP 09 Disabled Childcare Pilot, CAP 09 pilot aimed at tax credits to support disabled children. HMRC have written to 10,000 families in London (the Action group) All those families targeted are either unemployed lone parents, single earner couples and out of work couples. They already claim Child Tax Credits for at least one disabled child (aged 15 or less) and income in the previous tax year was below £16,000. HMRC have begun mailing these parents with effect from 28<sup>th</sup> September over an eight week period.</p> <p>Hopefully this offer will generate a significant incentive for families considering entering the labour market but where the level of current childcare support is prohibitive.</p> <p>Update: prospective providers have been identified and invited to tender. The contract package matches that of the 5 host boroughs.</p>



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	<p><i>request for reconfiguring of management requires further clarity as to what can realistically be achieved within existing contractual constraints.</i></p> <p><i>4. Proposals regarding reinvestment of housing benefits and new rewards for partner performance would require additional resources to manage and administer, further clarity is needed regarding identification/allocation of and responsibility for these resources i.e. LA or DWP etc?</i></p> <p>The LSC contracts for ESOL provision and Childcare Affordability Programme (CAP) are now fully integrated into our wider CSP programme. The details of the CAP2 programme are still being discussed, however when the programme does roll out we are well placed to ensure its alignment within our existing CSP provision.</p>	
<u>Recommendation Two</u> The Commission commends the success achieved so far by the	<b>a)</b> The CSP is to receive £5.5m of Working Neighbourhoods Fund to allow continuity of the programme established following the	Funding (£5.4m) from WNF was approved by the LSP on 23/09/09

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<p><b>City Strategy Pathfinder</b> programme and recommends that the Cabinet Member for Regeneration and the 2012 Olympic and Paralympic Games:</p> <ul style="list-style-type: none"> <li>Ensures that the programme continues to be internally resourced and lobbies externally for continuation of the programme from June 2009 until 2011, to allow for procurement of services and some stability to be maintained in the programme.</li> <li>Ensures that the Council and Team Hackney partners support the CSP itself as employers, with a greater focus on apprenticeships for local people, sharing supply chain information and making greater efforts to recruit locally.</li> <li>Ensures that employment support is considered as a core</li> </ul>	<p>period of funding from DWP (which completes June 2009) up to March 2011.</p> <p>In addition to this core funding LBH staff have submitted 2 ESF bids for East London, one of which has now been approved, which would allow the development of provision to the most economically and socially excluded residents and would allow the development of the housing outreach element which Hackney has pioneered.</p> <p>b) HR has already commenced discussions on how we can promote opportunities to CSP clients and LBH is involved in developing the number of apprenticeships offered to Hackney residents under the Hackney Apprenticeship Taskforce Changes Hackney (HATCH) initiative being developed with the LSC. Following discussions with HR, CSP is now promoting work placements being delivered by LBH - 12 Summer placements have been agreed for this year which will be directed at the NEET group, offering a</p>	<p>Funding for 5B of £2m approved by LDA to support unemployed residents into sustainable employment through the development of a client and employer gateway.</p> <p>Close working relationship established with LBH HR who will be leading on recruiting/supporting 40 jobs in the council through Hackney's Future Jobs Fund. CSP is also coordinating joint working with public sector partners on FJF.</p> <p>Hackney Board (on 27.07/09) approved paper making the delivery of employment support as part of their core services. As such all residents living in council housing will have access to job advice and referral into Ways into Work programme managed through a Coordinator within Hackney Homes. This is being funded through Ways into Work.</p> <p>Initial evaluation completed by CESI. Final report due end of October 2009 allowing CESI to input into new tendering process for Ways into Work</p> <p><i>extension funding for the programme has been secured (through various sources) up to March 2011. New approach to engaging and supporting IB claimants has been established for agreement with Team Hackney in December 2009.</i></p>

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<p>service by Hackney Homes and also progressed by the Better Homes Partnership of Team Hackney.</p> <p>In addition the Commission suggests that an evaluation and next steps report on the City Strategy Pathfinder in Hackney could be prepared for consideration at Full Council.</p>	<p>mixture of training and work experience. Hackney CSP is also working with HR and the 5 Borough Unit on a Future Jobs Fund 5 borough bid to develop a new entry level job for those leaving New Deal provision and exploring the opportunities of extending the summer placement scheme into a formal 2 year traineeship. In addition, On Site, Hackney's Jobs Brokerage, has established a working relationship with Randstad, Hackney's provider of interim staff.</p> <p>c) Good progress has been made between the CSP team and Hackney Homes towards a general employment offer being developed by Hackney Homes residents. Neehara Wijeyesekera (Head of Residents Services) is overseeing this work for Hackney Homes and a new model of working will be developed by July 09. This will involve HH offering its resident and corporate services to promote CSP work to residents, making it a requirement for its 3 housing management partners to set up local access points in each of the housing</p>	<p>Total commitment of 21 Hackney FJF placements made to DWP for 2009/10 which is set to be met by Feb. Further commitment from LBH of 79 FJF placements for 2010/11 has been made as part of the 5BU proposal to DWP for continued resources in 2010/11</p> <p>New function to oversee establishment and delivery of FJF within Council (which extends to Hackney Homes and the Learning Trust) has been established within HR. Jobs in Homerton Hospital to be recruited and managed by Groundwork East London. Co-ordination of V&amp;CS roles being discussed with HCVS.</p> <p>The Better Homes Partnership recognises the key role that housing providers can play in promoting employment opportunities, and supporting residents into sustainable employment.</p> <p>The work plan for the coming year will address the role of housing providers in tackling worklessness in Hackney, and will consider the action required to make progress on this issue (e.g. by supporting and embedding the approach of the CSP, and other examples of best practice).</p>

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	<p>management areas, and delivering outreach support, advice, guidance and advocacy for residents.</p> <p>However the longer term (post March 2011) sustainability for this activity will require, amongst other things, the incorporation of specific clauses to deliver employment services in future housing management tender documents. The Council will be working with Hackney Homes to consider how addressing worklessness can become a mainstream service delivered, in part, by them post March 2011.</p> <p>An evaluation of the CSP programme to date has been commissioned, the results of which will form the basis for the development of a successor programme.</p>	
<u>Recommendation Three</u> The Commission recommends to the Cabinet Member for Regeneration and the 2012 Olympic and Paralympic Games	Strategic planning policy is already in place. The application of S106 agreements is already enshrined in the adopted Supplementary Planning Document on Planning Contributions (S106), which was	The Planning Obligations Supplementary Planning Document continues to be in place and contributions are negotiated as part of the planning application process in accordance with the SPD. The input of relevant officers including On-Site Client Officers to advise in specialist areas, such as employment and job creation, is made

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<p>produces a report for both the Commission and the Regulatory Committee on the principle of providing clear guidance to planners on the use of <b>S106 agreements for employment and job creation</b>. The report should explore the policy framework for planners around the issue of mitigating the effects of development and the role of the Regeneration Delivery Framework document should be foregrounded. The report should build on work currently underway with the London 2012 developments and explore a business case for 'On Site' to take on an expanded role of S106 support and implementation, on all major sites, to ensure an integrated offer within the construction sector for residents, developers and contractors.</p>	<p>approved in November 2006. Section 8 of this document makes provision for contributions for providing employment and removing barriers to work. This Document is part of the emerging Local Development Framework (LDF) suite of planning policy documents. Pursuant to this policy, any S106 contributions realised for the specific purpose of providing employment and removing barriers to work would be considered for use, where possible, in addressing the worklessness portfolio of initiatives identified in the Regeneration Delivery Framework (RDF) or updating the RDF with new development-specific intervention measures to tackle worklessness.</p> <p>A report can be provided to the Scrutiny Commission outlining the policies in place.</p>	<p>use of where appropriate</p>
<u>Recommendation Four</u>		

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<p>The Commission recommends to the Economic Development Partnership of Team Hackney that it seeks input from Job Centre Plus, as a member of the EDP, on progressing the following issues which the Commission identified during its evidence gathering:</p> <ul style="list-style-type: none"> <li>• Maintaining a focus on <b>supporting those furthest from the labour market</b> and to develop approaches which ensure that these clients do not suffer because of any shift of priorities as a result of the economic downturn;</li> <li>• <b>Better signposting and referral mechanisms</b> for Incapacity Benefit and Employment and Support Allowance clients and better follow up for those participating in</li> </ul>	<p>This recommendation was discussed at the Economic Development Partnership on the 12<sup>th</sup> of May 2009; there was general agreement that the issues identified would be of great interest to the work programme of EDP and Job Centre Plus would present in full to the partnership at a future date.</p> <p>Please see attached letter from JobCentre Plus which responds more comprehensively to this recommendation.</p>	<p>Initiatives introduced under Job Centre Plus' six month offers for those on JSA unemployed over 6 months are intended to give extra support and increase their competitiveness in the labour market. These are:</p> <p>Recruitment Subsidy (£500 to an employer for taking on a JSA customer unemployed over 6 months with a further £500 if still in employment after 6 months)</p> <p>Volunteering – work placements Self employment – advice and support from Business Link</p> <p>Self employment credit – payment of £50 for 16 weeks when leave JSA to start self employment. Work Focused Training – training to lead to vocational qualifications and jobs October 2009/Jan 2010</p> <p>After 39 weeks on JSA 18-24 year olds will be offered a Young Persons Guarantee of Future</p> <ul style="list-style-type: none"> <li>▪ Jobs Fund job,</li> <li>▪ Sectoral Routeway – specific training</li> <li>▪ to enter jobs in particular employment</li> <li>▪ sectors i.e. retail, care, etc,</li> <li>▪ Work Focused Training</li> <li>▪ Community Task Force</li> </ul>

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<p>Work Capability Assessments;</p> <ul style="list-style-type: none"> <li>• More sensitive operation of the Work Capability Assessments to ensure that those with <b>mental health support needs</b> are not disadvantaged vis-à-vis those with physical impairments;</li> <li>• Extending, where possible, the provision of <b>Job Centre Plus Advisers</b> in Children's Centres and of <b>Disability and Employment Advisers</b> working with the Community Services Directorate's Access and Care Management Team;</li> </ul> <p>a) Extending specific <b>interventions to support lone parents</b> in particular over the next two years when the welfare reforms will tighten the eligibility to lone parent benefit and thus risk increasing child poverty or social exclusion for some clients.</p>		<p>September 09/Jan 10 Backing Young Britain (for 18/24 yos) Offer of additional adviser support one to one/group sessions on navigating the labour market, Cvs etc, Graduate and non graduate internships, mentoring, work trails at day one and work experience.</p> <p>Pathways to Work provider has made contact with Nadeem Malik to see how can work closely with Single Points of Access initiative to bring the services offered by Pathways to Work to the attention of local neighbourhoods/ community.</p> <p>Lone Parent support will be accessed through bespoke provision under the Support Contract coming on line 7/12/09. In addition lone parents on JSA will have access to all services including the new Flexible New Deal provision and IS lone parents have additional support of in work advisory support, a discretionary emergency fund to overcome unforeseen financial barriers, access to training and all can access a wide range of financial incentives.</p> <p>Mental Health Coordinators (MHCs) will be in Jobcentre Plus districts from October 2009.</p> <p>MHCs will develop partnerships with the key stakeholders involved in providing services for people with mental health conditions. They will work with local authorities, National Health Service and</p>



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<p>It also recommends to the EDP that in taking forward the City Strategy Pathfinder project in the borough that above issues be taken into consideration.</p>		<p>voluntary and private-sector mental health specialists.</p> <p>MHCs will improve the help and advice available to people with a mental health condition get back to, or into, work. The role forms part of a package of measures designed to strengthen support for JSA customers with mild to moderate mental health conditions</p> <p>JCP now has advisers in some Children Centres and is actively locating other partners with which to out station services/support.</p> <p>Lone Parents moving into work Promote Tax Credits and use the new In and Out of Work process to send info electronically to HMRC and Housing Benefits thereby improving speed of process. Signpost customers to HMRC helpline numbers for advice on Pay as You Earn or Self Assessment</p> <p>More information about the lone parent intervention</p> <p>Learning trust Childcare scheme</p> <p>Further information to be provided by Avril McIntyre.</p>
<p><u>Recommendation Five</u> The Commission welcomes the commitment made at its meeting by the City and Hackney</p>	<p>Agreed, this will be a future agenda item for the Thriving Healthy Communities Partnership Board later this year.</p>	<p>Initiatives, such as Skills for Jobs, Six Month Offer Work Focussed Training and Regional Response to redundancy, introduced as part of the LSC's response to the economic downturn and to support</p>



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<p>Teaching Primary Care Trust to work with Job Centre Plus on the extension of <b>employment advice in doctors surgeries and in the new South East Resource Centre.</b> The Commission requests the Thriving Healthy Partnership of Team Hackney to seek input from the Chief Executive of the City and Hackney Teaching Primary Care Trust on how this welcome initiative is being progressed.</p>	<p>Worklessness is a key theme of the Joint Strategic Needs Assessment and a core part of the partnerships work programme.</p>	<p>LSEB priorities are intended to target those furthest from the workplace, the newly redundant and those at risk of redundancy. All programmes offer employment focussed training and seek to target buoyant sectors. Programmes are run in conjunction with JCP to ensure cross referral and suitable progression routes for the target client groups. Young people (18-24 years) are being supported through recently launched Young Persons Guarantee Sector Routeways programme.</p> <p><b>Further information about Volunteering the development of skills to be included here. Also the work around mental health.</b></p>
<p><u>Recommendation Six</u> The Commission recommends to the Cabinet Member for Regeneration and the 2012 Olympic and Paralympic Games to report to the Commission on 12 January 2010 on the <b>implementation plan of the Hackney Skills for Employment Strategy</b> including the need for clarity on the co-ordination of information on education and</p>	<p>Recommendation noted, an implementation plan is being developed and a report will be provided by 12 Jan 2010 as requested.</p>	<p>To be completed following the EDP meeting to make sure that all aspects of the Skills Strategy are covered in the scrutiny response. Appendix 1.</p>

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<p>training providers in the borough, so that there can be better signposting and referral for residents.</p>		
<p><u>Recommendation Seven</u> The Commission recommends to the Cabinet Member for Regeneration and the Olympic and Paralympic Games and the Cabinet Member for Community Services that they explore with Team Hackney partners how to <b>encourage greater take-up of services provided by Work Directions</b> in the borough. The Commission noted that the wide range of support available to residents on health related benefits could be better promoted to harder to reach groups, in particular using GPs surgeries and the outreach workers in the Council's own Community Services teams and the Economic Development Team.</p>	<p>Community Services, the Economic Development Partnership and the PCT support the objective of using healthcare facilities as a route to disseminate information and promote pathways into sustainable employment to residents on health related benefits. There are already a number of initiatives in place.</p> <p>A progress report will be provided by January 2010, as requested.</p>	<p>IAPT (Improving Access to Psychological Therapies) London Initiative. PCT working in Partnership with JCP to support people on benefits back into work.</p> <p>Primary Care Psychology (PCP) is delivering this through Cognitive Behavioural Therapy (CBT) in Hackney. It is being targeted at 2 customer groups, DEA customers and Lone Parents who are in receipt of JSA or IS. Customers have to be registered with a GP in Hackney</p> <p>Approach to supporting IB claimant (through more focussed outreach and establishing integrated programme with Hackney's Pathway provider) has been scoped for mobilisation (following a pilot) from 1 April 2010</p>

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<p>The Commission requests a progress report on this by 12 January 2010.</p>		
<p><u>Recommendation Eight</u> The Commission requests the Deputy Mayor and the Cabinet Member for Regeneration and the Olympic and Paralympic Games to establish a <b>Public Sector Human Resources Action Group</b> to bring together public sector employers in the borough to find joint solutions to vacancy issues, to develop joint local recruitment practices, to set targets for apprenticeship programmes, to promote recruitment of local residents and to support Job Centre Plus in the development of the Local Employment Partnerships (LEPs).</p>	<p>The Council is already working with partnership groups under the Public Sector Promise, to identify how key partners in the Borough can work more closely together on delivering public sector services in a more joined up way. The Hackney Apprenticeship Taskforce Changes Hackney (HATCH) initiative is another borough wide partnership group, which seeks to increase and enhance the apprenticeship offer.</p> <p>Instead of establishing a separate 'Public Sector Human Resources Action Group' one or both of these existing groups could instead begin to think about how their remit can be extended to look at collaborative working practices for recruitment and retention of staff locally.</p> <p>Internally, the Council has embarked on</p>	<p>In conjunction with The Learning Trust, the LSC convened the HATCH (Hackney Apprenticeship Taskforce Changes Hackney) project in December 2008. The Taskforce brings together the main public sector employers in Hackney and seeks to increase the number and range of apprenticeships available locally and share best practice. To date nearly 30 additional apprenticeships have been created in the borough. In addition LSC has funded the development of an employer toolkit to support and goodie employers that are considering creating an apprenticeship opportunity.</p> <ul style="list-style-type: none"> <li>• All Hackney Council vacancies are going on Jobcentreplus website since w/c 5.10.09.</li> <li>• JCP doing ongoing screening for Hackney Apprenticeships Public Service Promise</li> </ul> <p>JCP frontline Advisers have gone on No Wrong Door training and are going on How to deal with Teenagers, provided by Team Hackney. This has enabled joined up working and Hoxton has already been commended by the Social Security Advisory Committee for Partnership working.</p>

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	<p>a programme of work resulting from a review of recruitment with a theme around consolidation of the permanent workforce. It's an extensive work programme with a number of work streams including, recruitment and retention, access routes, apprenticeships and work experience. Any steps to extend this programme of work to partner organisations would need to be taken carefully to ensure that delivery of the internal programme is not compromised. However, the review of recruitment programme already has linkages with a number of partner organisations, including Jobcentre Plus, Hackney Community College, the Learning Trust and Hackney Homes as well as being a provider of work experience nominated by a range of organisations working with workless job seekers, 327 placements were provided last year to borough residents.</p> <p>In addition, the AD for HR &amp; OD is Chair of a pan London Apprenticeship task force.</p>	<p><b>More information about the HATCH project (December contract – the post will be operational in January)</b></p> <p><b>More information about volunteering and apprenticeships.</b></p>
<u>Recommendation Nine</u>	The Council's Policy Team, which is leading	

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The Commission requests the Cabinet Member for Regeneration and the 2012 Olympic and Paralympic Games to ensure that the forthcoming <b>"Cross Cutting Review on Worklessness"</b> takes forward the Commissions' recommendations and gives some consideration to issues such as regional and sub regional lobbying via an MAA and the need to explore further the impact of the <b>informal economy</b> in the borough.	on the cross cutting review of worklessness, is working closely with the lead scrutiny officer and scrutiny commission members to ensure that their evidence will feed through into the Community Strategy cross-cutting review. The Chair of the scrutiny commission, Cllr Oguzkanli, is a member of the Community Strategy review steering group.	

**Lead Councillor:** Cllr Guy Nicholson, Cabinet Member for Regeneration and the 2012 Olympics and Paralympics Games

**Corporate Director:** Steve Douglas, Corporate Director of Neighbourhoods and Regeneration

**Relevant Team Hackney Thematic Partnership:** Economic Development

**Appendix one**

**Response to the worklessness Scrutiny review – updates on the six key challenges of the Skills Strategy Six months on.**





	<b>Challenge</b>	<b>Update on challenges six months on</b>
<b>1</b>	A significant enhancement is needed in the skills support available for Hackney residents and employers to tackle high levels of under qualification and skills shortages	
<b>2</b>	Improve the responsiveness and quality of Hackney's learning and skills providers to ensure that skills provision is focused on priority sectors, occupations and skills levels, and on meeting employment related needs helping, individuals to develop their skills, careers and subsequently incomes	
<b>3</b>	Developing a new programme to engage Hackney and City Fringe employers to help meet local skills and employment challenges	
<b>4</b>	Develop a more integrated linking of skills provision with employment services providing local people with the support they need to move from skills provision into work.	
<b>5</b>	Public funding for skills and related employment programmes in Hackney, both from LAA and mainstream programmes, to be aligned to the challenges and priorities identified in this strategy	



## EDP Quarterly Performance




PI	Description	2008/09 performance compared to last year	2008/09 compared to target	2006/07	2007/08	2008/09	2009/10	Q1 2009/10	Q2 2009/10		Annual Target 2009/10
				Target	Target	Target	Target	Value	Value	Note	
NR 11 LAA	Number of lone Parents assisted into sustained employment - cumulative since 2007/08 (stretch)	?	?		33	66		109	N/A	This is a Team Hackney led indicator which features on the N&R storyboard. Using the established definition for this indicator the three year stretch target of 100 lone parents assisted into sustainable employment was met earlier this year as the Q1 position is 109. However, no data has been provided for Q2 as the approach to this stretch target is being reviewed in light of the new City Strategy Pathfinder (CSP) programme and revised figures should be reported from Q3 onwards.	100
NR 12 LAA	Number of residents in receipt of incapacity related benefits for a minimum of 6 months, assisted into sustained employment - cumulative since 2007/8 (stretch)	?	?		33	66		9	N/A	This is a Team Hackney led indicator which features on the N&R storyboard. Using the established definition for this indicator the three year stretch target of 100 residents receiving incapacity benefits for 6 months into sustainable employment will not be met as the Q1 position shows only 9 to date, with only 6 months remaining. No data has been provided for Q2 whilst data collection issues are under review. The City Strategy Pathfinder is now funded through Team Hackney and the Area Based Grant, which will allow outputs from that work to be included within the stretch indicator	100

PI	Description	2008/09 performance compared to last year	2008/09 compared to target	2006/07	2007/08	2008/09	2009/10	Q1 2009/10	Q2 2009/10		Annual Target 2009/10
				Target	Target	Target	Target	Value	Value	Note	
NI 116	Proportion of children in poverty	?	✓			34.1%		No data for this range	Not measured for Quarters		32.6%

PI	Description	2008/09 performance compared to last year	2008/09 compared to target	2006/07	2007/08	2008/09	2009/10	Q1 2009/10	Q2 2009/10		Annual Target 2009/10
				Target	Target	Target	Target	Value	Value	Note	
NI 151	Overall Employment rate (working-age)					61.3%		63.9%	67.2%		62.9%
NI 153	Working age people claiming out of work benefits in the worst performing Neighbourhoods					26.6%	24.9%	25.8%	25.8%	This data comes with an 8 month time lag so may not show the full impact that the economic downturn is having on employment levels. The Job Seekers Allowance (JSA) claimant count is a key driver for this indicator. Between Q3 and Q4 08/09, the % of the Working Age Population in Hackney claiming JSA increased from 4.9% - 5.7% although this has not impacted on the reported position against this NI which despite being off target has stabilised this quarter.	24.9%

PI	Description	2008/09 performance compared to last year	2008/09 compared to target	2006/07	2007/08	2008/09	2009/10	Q1 2009/10	Q2 2009/10		Annual Target 2009/10
				Target	Target	Target	Target	Value	Value	Note	
NI 163	Proportion of population aged 19-64 for males and 19-59 for females qualified to at least Level 2 or higher					61.7%		No data for this range	Not measured for Quarters		62.2%

## Supporting indicators

PI	Description	2008/09 performance compared to last year	2008/09 compared to target	2006/07	2007/08	2008/09	2009/10	Q1 2009/10	Q2 2009/10		Annual Target 2009/10
				Target	Target	Target	Target	Value	Value	Note	
NI 117	% of 16-18 year olds not in education, employment or training				13.2%	11.2%		9.4%	9.9%		10.0%



## **EDP December 09: Analysis of key labour market trends**

### **1) NI 151 – Overall employment rate**

- LBH's employment rate continued to increase slightly between Q3 and Q4 08/09 (from 67.0% to 67.2%) – although not nearly as sharply as in previous quarter where rate increased from 63.9% to 67.0%
- LBH's employment rate is now higher than all the other 4 host boroughs, including Greenwich, for the first time.

### **2) NI 153 - % of the working age population claiming out of work benefits in the worst performing neighbourhoods**

- Trend in Hackney is very much in-line with not only the other host boroughs, but London as a whole
- In those neighbourhoods (LSOAs) identified in 06/07 as having 25%+ of the working age population claiming out of work benefits, Hackney has the lowest proportion claiming out of work benefits in Q4 08/09
- Primary reason for a reversal of the downward trend is that the most recent outturn (Q4 08/09) coincides with the period when the JSA claimant count increased rapidly (see next graph)
- The design of NI 153 masks the fact that in LBH between 06/07 and Q1 09/10 (latest available out of work benefits data), the number of LSOAs in LBH which are 'worst performing' (i.e 25%+ of the working age population claiming of work benefits) reduced from 45 to 29 – in spite of the onset of the recession.

### **3) JSA claimant count**

- The JSA claimant count in Oct 09 in LBH started to fall for the first time since Oct 08.
- The claimant count now stands at 9,827 in comparison to 6,982 a year earlier.
- 23.8% of these claimants are 18-24 year olds, compared to 25.5% in Oct 08
- The % of claimants who are both short-term unemployed (6 months or less) and long-term unemployed (over 12 months) has decreased over the past year. The % of claimants unemployed for 6-12 months increased from 17.6% to 21.4%

### **4) Out of work benefits - % of working age population**

- LBH has the highest proportion of out of work benefit claimants of all the host boroughs. The figure stands at 20.5% for Q1 09/10.
- Trend for LBH since Q1 07/08 is broadly in-line with the other host boroughs and London as whole
- This general trend clearly reflects the sharp spike in JSA claimants during the first half of 2009.
- Particularly high levels of out of work benefit claimants in LBH reflect the large numbers of IB/ESA claimants in the borough (see next graph)

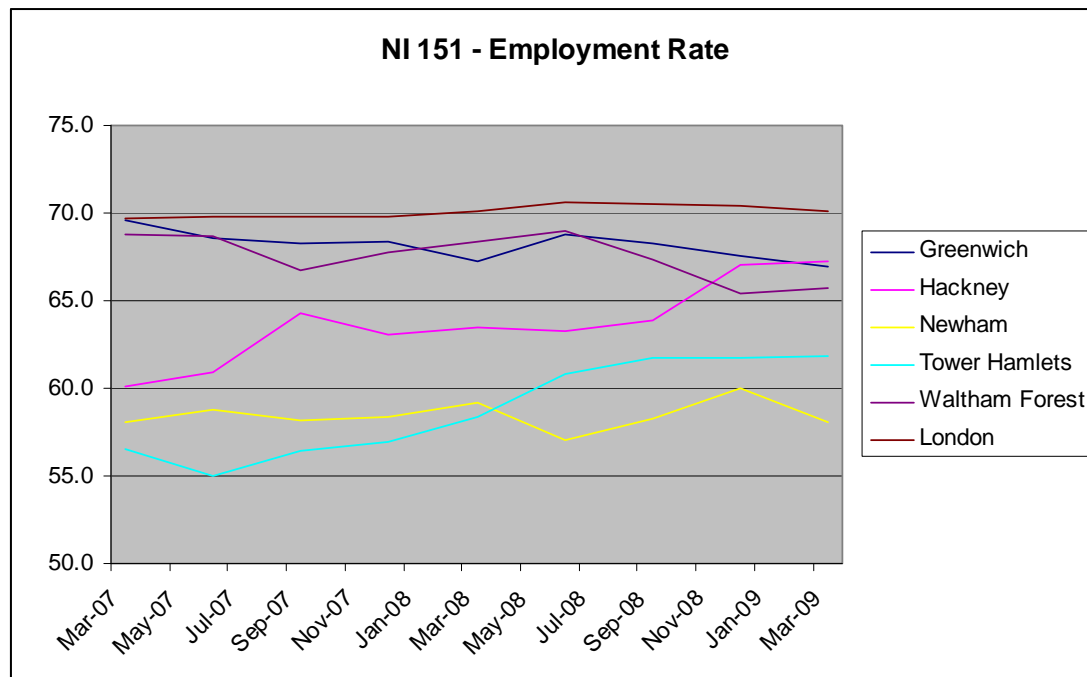
### **5) IB/ESA claimants - % of working age population**

- In LBH, 9% of the working age population are claiming IB/ESA, compared with 7.8% in Newham and 6.1% in London
- Over the most recent quarter (to Q1 09/10) the number of IB/ESA claimants in LBH increased from 12,920 to 13,000.
- Over the past 2 year, the claimant count has decreased from 13,090 and 13,000.
- It is evidently extremely difficult to achieve change in IB/ESA levels in the borough
- LAA NR12 only considers IB claimants who have moved into employment via ABG sponsored programmes (i.e. Moving on Project and Ways into Work)
- The primary intervention in the borough aimed at assisting IB claimants into work is JCP's Pathways programme - delivered by Ingeus.
- Over the past 2 years (since Nov 07), Ingeus has achieved the following outcomes:
  - 798 mandatory registrations
  - 218 voluntary registrations
  - 125 sustained jobs (59 of which were since April 09)

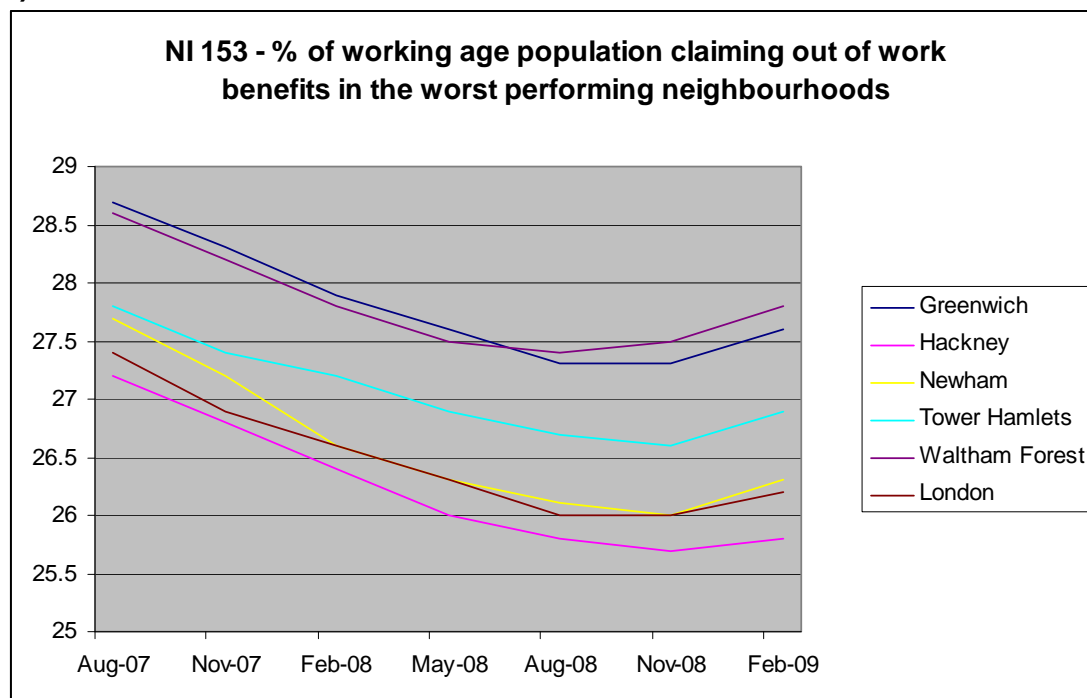


# EDP December 09: Key labour market trends

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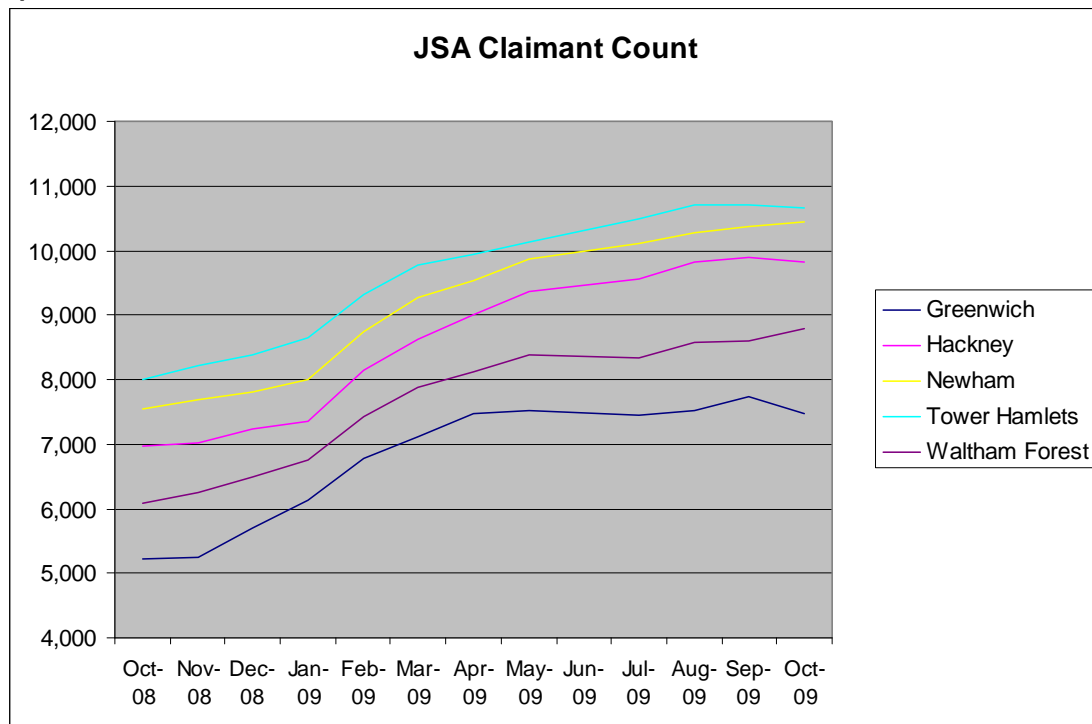


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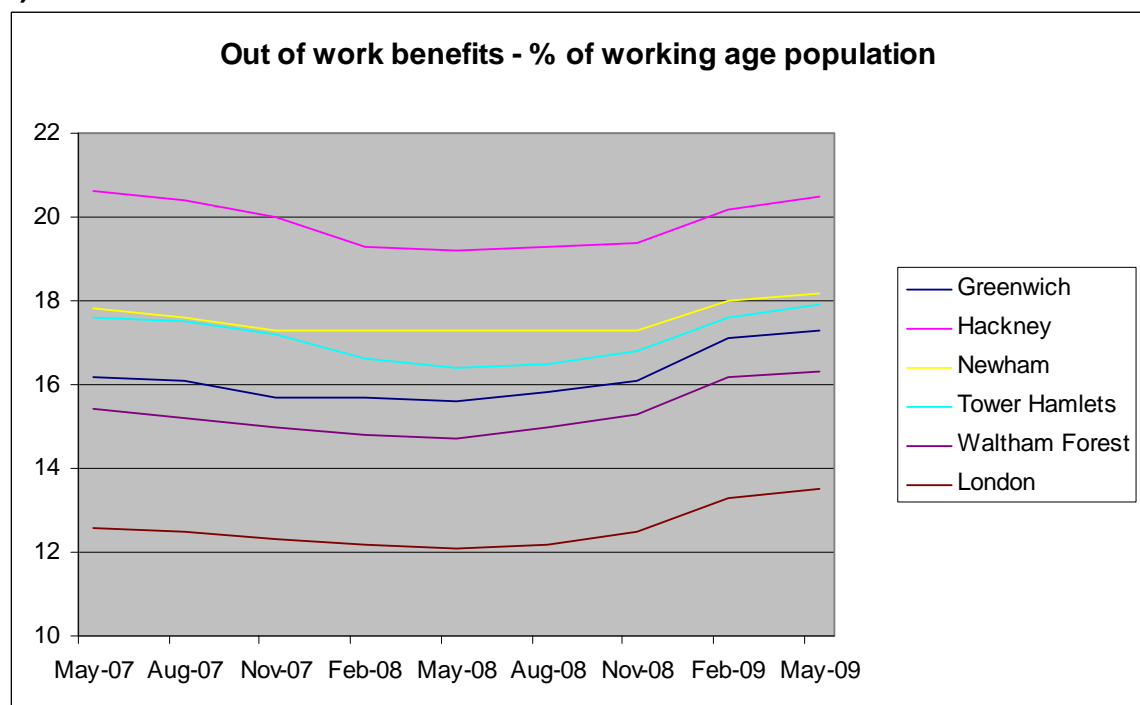


## Agenda 4

3)

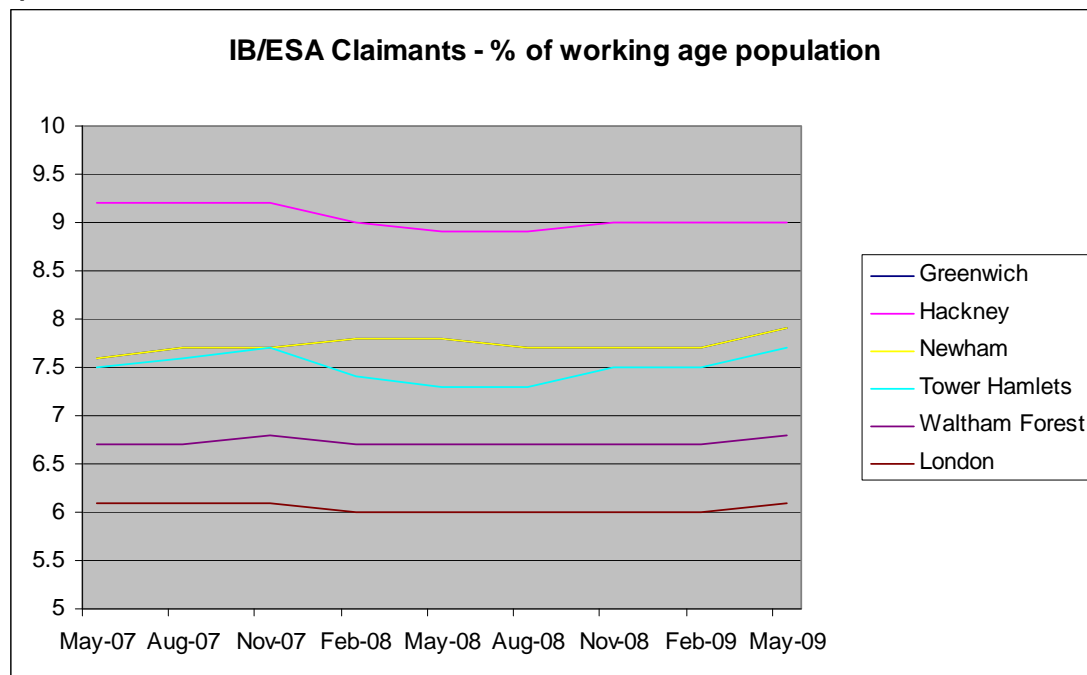


4)



## Agenda 4

5)



## Agenda 4

### **CSP ways into work: progress report**

£755,000 interim contract in place for Q2 (this will need to be extended for Q3) pending procurement of revised provision as agreed at PIE. It is intended that the main contract will be ready for Q4, negotiations are currently taking place.

There is an underspend of £187,795.95 on this due in the main to delayed start up of elements of the provision and late invoices, this will be reprofiled and accounted for in Q3 alongside the Q3 contract extension.

There was a £40k plus overspend on some elements of the provision which has been queried and disallowed. This has now been funded from elsewhere.

Below target on numbers registered (246 achieved of target of 383) though this due to the fact that the numbers which make up the variance haven't been verified rather than haven't been achieved. Below target on numbers receiving employability support, explanation being sought.

Below target on jobs sustained (49 out of target of 58) again due to need to verify additional outputs.

There are still some issues with obtaining appropriate evidence of spend although most of this has been resolved.



## Agenda 4





### EDP Quarterly Performance





PI	Description	2008/09 performance compared to last year	2008/09 compared to target	2006/07	2007/08	2008/09	2009/10	Q2 2009/10	Q3 2009/10		Annual Target 2009/10
				Target	Target	Target	Target	Value	Value	Note	
NR 11 LAA	Number of lone Parents assisted into sustained employment - cumulative since 2007/08 (stretch)	?	?		33	66		109	N/A	This is a Team Hackney led indicator which features on the N&R storyboard. Using the established definition for this indicator the three year stretch target of 100 lone parents assisted into sustainable employment was met earlier this year as the Q2 position is 109. However, no data has been provided for Q3 as the approach to this stretch target is being reviewed in light of the new City Strategy Pathfinder (CSP) programme and revised figures should be reported from Q4 onwards.	100
NR 12 LAA	Number of residents in receipt of incapacity related benefits for a minimum of 6 months, assisted into sustained employment - cumulative since 2007/8 (stretch)	?	?		33	66		9	N/A	<p>This is a Team Hackney led indicator which features on the N&amp;R storyboard. Using the established definition for this indicator the three year stretch target of 100 residents receiving incapacity benefits for 6 months into sustainable employment will not be met as the Q2 position shows only 9 to date, with only 6 months remaining. No data has been provided for Q3 whilst data collection issues are under review. The City Strategy Pathfinder is now funded through Team Hackney and the Area Based Grant, which will allow outputs from that work to be included within the stretch indicator.</p> <p>In order to get a full a picture of the number of LBH IB/ESA claimants moving into sustained employment, it essential to also consider claimants either mandatorily or voluntarily referring to Pathways to Work – JCP's specific programme for IB claimants.</p> <p>An overview of overall change in LBH IB/ESA claimants can be obtained by analysing DWP benefits data.</p>	100 (cumulative since 07/08)



## Agenda 4

PI	Description	2008/09 performance compared to last year	2008/09 compared to target	2006/07	2007/08	2008/09	2009/10	Q3 2009/10		Annual Target 2009/10
				Target	Target	Target	Target	Value	Value	
NI 116	Proportion of children in poverty					34.1%		34.1		32.6%

PI	Description	2008/09 performance compared to last year	2008/09 compared to target	2006/07	2007/08	2008/09	2009/10	Q2 2009/10	Q3 2009/10		Annual Target 2009/10
				Target	Target	Target	Target	Value	Value	Note	
NI 151	Overall Employment rate (working-age)					61.3%	62.9%	63.9%	67.2%	This data comes with an 8 month time lag, so may not show the full impact the economic downturn is having on employment rates.	62.9%
NI 153	Working age people claiming out of work benefits in the worst performing Neighbourhoods					26.6%	24.9%	25.8%	25.8%	This data comes with an 8 month time lag so may not show the full impact that the economic downturn is having on employment levels.	24.9%

PI	Description	2008/09 performance compared to last year	2008/09 compared to target	2006/07	2007/08	2008/09	2009/10	Q2 2009/10	Q3 2009/10		Annual Target 2009/10
				Target	Target	Target	Target	Value	Value	Note	
NI 163	Proportion of population aged 19-64 for males and 19-59 for females qualified to at least Level 2 or higher					61.7%		67.8%	67.8%	Data is only available on an annual basis. Current outturn refers to 2008 (calendar year)	62.2%

## Supporting indicators

PI	Description	2008/09 performance compared to last year	2008/09 compared to target	2006/07	2007/08	2008/09	2009/10	Q1 2009/10	Q2 2009/10	Annual Target 2009/10	
				Target	Target	Target	Target	Value	Value		Note
NI 117	% of 16-18 year olds not in education, employment or training				13.2%	11.2%		9.4%	9.9%		10.0%



## **Economic Development Strategy**

Over the next six months the Council will develop an Economic Development Strategy. The strategy is to guide the Council, and where applicable partners, to optimise the delivery of all the Sustainable Community Strategy priorities whilst specifically guiding the economy to a more sustainable future which will serve residents in the medium and longer term.

The purpose of this paper is to draw the Board's attention to the strategy and set out the rationale, related policy environment and timeframe for the production of this document.

### **Rationale for an Economic Development Strategy**

Primarily the imperative to develop a strategy arises from a need for an overarching story about the Hackney economy. The story is required to ensure that when programmes are designed and delivered they are working to achieve the same aim. The 'story' will therefore describe how we want the economy to develop which in turn will enable us to commission strategically significant initiatives rather than merely responding opportunities. The strategy therefore will develop a vision which will guide our commissioning and set out the role the economy will play in Hackney's future development.

The Strategy will have the following components:

- An analysis of a functioning economy in Hackney and aspects of the economy which will benefit from targeted support.
- Addressing worklessness through tackling barriers to employment is the primary supply side intervention. This involves:
  - Addressing key interrelated social issues which form barriers to accessing the labour market
  - Upskilling the local population
  - Enabling access to a range of employment opportunities
- The focus of demand side interventions is: shaping local economic growth to enable Hackney to compete at a local and regional level whilst taking full advantage of the existing local labour force. This involves:
  - Supporting key growth sectors
  - Developing a mixed-skills economy
  - Attracting inward investment
- Local economic growth is enabled or constrained by a wider set of public policy interventions. At a macro level, these interventions are fundamental for the borough's economic growth and at a household level, to enable or constrain labour market access. Key enablers include:
  - Housing conditions
  - Land use planning
  - Connectivity – specifically transport
  - Improving health outcomes
  - Tackling crime

### **How will the EDS fit with other existing strategic documents?**

#### **The Sustainable Communities Strategy**

The SCS sets out a 10 year vision for Hackney through 18 outcomes. However these are high level and do not dictate the manner in which they will be achieved. The Economic Development Strategy will complete that gap setting out the manner in which the outcomes will be achieved and sustained.

The first four SCS outcomes are specifically economic:

- 1) Substantially narrow the gap between Hackney's employment rate and the London average.
- 2) Increase employment for people in Hackney who are disabled or have a long-term health condition or mental health problems.
- 3) Improve the earnings of people in Hackney to lift them out of poverty.
- 4) Close the gap between the percentage of people in Hackney with no qualifications at all and the London average and increase the percentage of people of working age in Hackney who hold qualifications fit for the job market.

The EDS will therefore describe how the development of the economy itself will achieve these outcomes by identifying issues such as the nature of future employment, future growth sectors and the type of businesses we will be aiming to grow.

The Strategy will also demonstrate the centrality of economic development in the achievement of the other 14 outcomes as well. By enabling an individual to access employment and addressing worklessness within communities as well as developing dynamic economic centres in the borough other, social, regeneration outcomes such as health, community safety, town centre development and carbon reductions are also addressed

#### **Other Strategies**

The EDS will build on the series of existing strategies and most notably the Skills for Employment Strategy and the Inward Investment Strategy. By bringing these together under the economic vision we will be clear that their respective objectives are working to achieve the same goals. The Local Development Framework will form the spatial expression of the EDS.

The Local Economic Assessment (a new statutory duty) will be undertaken concurrently with the development of the EDS. The LEA will provide a key evidence base for the EDS with a particular focus on:

- The characteristics of Hackney's labour market
- The structure and strengths of local economic sectors
- The functioning economic geographies of the borough

### **Timescales**

- The EDP to be introduced to the concept and overall shape of the EDS in December
- In mid-January a visioning event will be held for key stakeholders from across the Partnership. This will be an opportunity to consider a range of different visions for Hackney's economy, and the role economic development will play in the future development of the borough
- Mid-January – March: Consultation on the Economic Vision for Hackney and strategic objectives including EDP meeting 3<sup>rd</sup> March 2010.

**Recommendation:** The EDP is recommended to note the report

## **Proposals for the Mayor's Economic Development Strategy:** **Response from London Borough of Hackney**

### **Rising to the Challenge: the main proposals**

The purpose of the Mayor's Economic Development Strategy (EDS) is to set out the Mayor's ambitions for the economic development of the capital. The Mayor's overall objectives are to:

- 1) ***London as a city that excels as a world capital of business***
- 2) ***Ensure that it has the most competitive business environment in the world***
- 3) ***Drive London's transition to a low carbon economy and maximise the opportunities that this creates***
- 4) ***Give all Londoners the opportunity to share in London's economic success***
- 5) ***Maximise the benefits to London from investment to support growth and regeneration***

### **Ch 1) London: business capital of the world**

The EDS correctly identifies the importance of 'clusters of businesses that are true-world beaters...These leading sectors include financial services, the creative industries, life sciences, legal and accountancy services, universities' (1.7).

- There is an opportunity to specifically mention the importance of clusters of business in Inner London outside of the Central Activities Zone. In the case of Hackney – specifically financial services (around the City Fringe) and creative industries clusters
- Emphasis on local clusters is particularly important in areas of high deprivation such as Inner East London where local unemployed people often think of the labour market in very local rather than pan-London terms
- Specific attention should be focused on the economic benefits which derive from locating businesses in Inner rather than Central London
  - The large, mixed-skill labour pool in city-fringe boroughs such as Hackney
  - The availability of workplaces where rents are substantially cheaper
  - Potential to develop 'clusters' of back office functions, which would benefit from economies of agglomeration
- The EDS should specifically discuss the potential for growth of labour-intensive, lower skilled sectors where the City Fringe has a comparative advantage due to its closeness to the City eg security; cleaning; catering; facilities repair.
- There is also an opportunity to grow mixed skilled sectors – eg print & publishing; entertainment; office supplies; events & seminars; legal services; property services
- The Olympics as an event and specifically the legacy which the IBC/MPC will leave offers a tremendous opportunity to develop/re-locate clusters of creative industries to Hackney and the wider sub-region.

### **Ch 2) Improving London's competitiveness**

Proposal 2E states that: 'The Mayor will work with partners to ensure costs to business are kept as low as realistically possible'

- 2.28 highlights that through the London Plan, 'the Mayor will ensure that there is sufficient long-term capacity for workplace growth, in Central London, Canary Wharf and in other parts of London, including town centres'

- The only reference in the EDS regarding the cost, supply and quality of housing is the London Housing Strategy – no explicit reference is made to *affordable* housing. This is vital so that key industries – in the public and private sectors – are provided with a large pool of labour across skill levels.
- A theme which is lacking in the EDS as a whole is the importance of a mixed skills economy, both to ensure London's long-term growth and to address underlying worklessness, above all in areas of high deprivation. This point is a necessary counterbalance to the emphasis within the EDS on the importance of attracting high-skilled labour to London
- The growth of a mixed skilled economy is dependent on the availability of a range of housing tenures and prices, and the distribution of these homes across London.

The proposed EDS fails to make explicit links between enterprise and reducing worklessness.

- Support for start-ups is essential for ensuring the continued dynamism and productivity of local economies.
- As well as supporting SMEs and start-ups, the Mayor should also develop interventions to actively support the growth and sustainability of social enterprises

### **Ch 3) Transforming to a low carbon economy**

The EDS correctly recognises that 'the transition to a low carbon economy will create major business and economic opportunities for London' (3.8)

- Carbon trading and the development of low carbon industries and technology are identified as key economic opportunities.
- The EDS also through recognises the scale of home building and retrofitting represents a substantial opportunity for economic development (3.10)
  - The EDS fails to establish a link between areas of London which have a very large proportion of social housing (eg Inner East London) and the opportunities for the creation of green jobs, specifically around retrofitting, which will contribute to addressing local worklessness
  - No mention is made of the importance of ensuring skills providers and specifically further education institutions have the necessary capacity to provide the competencies and skills necessary for local people to take advantage of this growth sector
  - More widely, the EDS omits discussion of the opportunity for the growth of green economic sectors offered by the Masterplanning of major town centres.

### **Ch 4) Extending opportunity for all Londoners**

- The EDS identifies the critical importance of ensuring that 'works pays' – in addressing long-term worklessness within communities. This involves both continuing to press for the London living wage to be viewed as a 'norm' for entry level jobs, and specifically ensuring that the benefits system incentivises people to get into and stay in work.
  - The sharp reduction in Housing Benefit which occurs immediately after an individual moves into employment is identified as 'a disincentive to accessing sustainable employment' (4.49). It is also noted that 'recipients also often have concerns that the effects of slow processing of any changes in employment status may cause them' (4.49)
  - However, there is a need for the EDS to be more ambitious and detailed around the Mayor's vision for how the benefits system should be reformed in order to significantly improve sustainability levels for the key clients groups (young

people, lone parents, long-term unemployed) moving into work. At present the Mayor has made only a general commitment is to 'reform and simplify the benefits system and ensure that incentives to find and stay in work in London are increased'

- The EDS suggests that 'Welfare to Work programmes have tended to be less successful in London than nationally. For example the DWP New Deal for Lone Parents has been successful in creating employment nationally, but has had less success in London. Particular barriers, such as the lack of affordable childcare or lack of functional literacy and numeracy skills, hinder many individuals from full participation.' (4.19)
- Critically, innovative examples of design and delivery, specifically the City Strategy Pathfinder programme, at a local and sub—regional level (the 5 Olympic boroughs) has resulted in excellent outcomes for getting hard to reach group such as lone parents into work. In Hackney, this has significantly contributed to a sharp rise in the employment rate. Enabling commissioning to take place at local level is fundamental to ensure that the complex nature of deprivation at a neighbourhood level is addressed in a holistic and robust way. LAAs and SCSs demonstrate that as more policies are integrated at a local level, outcomes for disadvantaged groups are improved.
  - The EDS states: 'The Mayor will seek as much flexibility as possible in London in the design and delivery of welfare to work support....Given there are localised high concentrations of worklessness across London, it also seems appropriate to ensure a particular focus on delivering more integrated and effective approaches are delivered in these neighbourhoods"
  - However, the LDA's proposed design of LETF seems to be wholly contrary to the above emphasis on local flexibility to ensure long-term worklessness in the most deprived neighbourhoods is tackled in a sustainable way. As the experience with the delivery of CSP illustrates, flexibility in terms of financing, commissioning, design and delivery is located most effectively at a sub-regional and borough level – rather than at a regional (i.e. GLA/LDA) level. Furthermore, a funding arrangement which solely incentivises individuals remaining in work for a prolonged period seriously disincentivises providers to provide much needed outreach, training, employability support and in-work support to the most hard-to-reach groups and more generally those communities which experience the most severe multiple deprivation.
- There is an opportunity to discuss the opportunity of further supporting sub-regional governance arrangements which are developed by local boroughs in partnership to reflect what works on the ground in terms of delivering value for money outcomes.
  - It is important to acknowledge that a borough such as Hackney may be involved in a number of such sub-regional partnerships to reflect the functioning economic geographies of the area.
- There is an opportunity to explicitly mention the success of innovative estates-based outreach models such as CSP in enabling hard-to-reach groups to access the labour market
- The EDS correctly identifies that 'the majority of the increase in the working age population will come from women and from BAME people, many of whom are currently most disadvantaged in the labour market. London has a relatively lower percentage of part time jobs, which often help women in particular to combine work with family life. Many find childcare is unaffordable or inflexible'
  - However, in the same way that the EDS fails to set out a detailed vision around reform of the payment of key benefits, the Mayor fails to set out specific policies and approaches which will be introduced in order to tackle the disadvantages

faced by BAME groups, and to ensure that the % of part-time jobs in London is increased.

- The proposed EDS discusses the correlation between worklessness and poor health. However there is no explicit mention of the impact of mental health problems on individuals who already face multiple disadvantages in the labour market. The EDS should highlight the need for innovative approaches to improve mental health outcomes.

## **Ch 5) Investing in London's future**

- In Chapter 4, the Mayor's correctly identifies further as well as higher education as 'an increasingly important learning resource for London businesses and for Londoners throughout their working lives' (4.45)
  - However, only outer London is discussed as a location for growth in the further education sector (5.13). It is essential that the EDS ensures that London as a whole benefits from growth in key sectors – in particular areas of high deprivation such as Inner East London, where there exists a significant mismatch between the skill needs of employers and the skill levels within the local communities.
  - Enabling young and older people to achieve formal qualifications (particularly NVQ2 and NVQ3) in a setting where training is clearly linked to employment opportunities is vital for enabling individuals to achieve their aspirations and in the longer-term to improve the economic prosperity of deprived households and communities.

The proposed EDS fails to mention the enormous challenge for the 5 Host Boroughs of 'Doing the Day Job' during the Olympics.

- With very large number of visitors passing through the host boroughs, it is essential that Councils and partner organisations have the necessary organisational capacity and resilience to provide the levels of service required. As the eyes of the world will be on East London, London's image and reputation will be determined by the quality and efficiency of public services provided during the Olympics
- This challenge is also an opportunity to bring about a long-term legacy of improved levels of service to benefit local people. Improved levels of service are dependent on organisational and skills development at the local level.
- Whilst the host boroughs will be required to handle issues associated with large events such as increased levels of crime and waste, the Olympics presents the opportunity to grow the visitor economy sector and bring about significant public realm improvements.

*Andrew Munk, Economic Research & Policy Officer, N&R*



October 2009

# Rising to the challenge

**The Mayor's Economic Development Strategy for Greater London  
Public Consultation Draft**







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Public Consultation Draft**

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# Mayor's Foreword

We can all think of small cities that are lovely to live in – tranquil and green and blessed with efficient public transport.

And then we can think of big cities that are global economic powerhouses – teeming with the noise, energy and ambition of millions of people.

I want London to have the best of both worlds.

I want London to be the best big city on earth.

That means a place that brims with opportunity and talent and economic activity of all kinds, but also one where the pace of life can suddenly slow from one street to the next; where children can grow up in safety – where people can be seen walking or cycling with no purpose other than enjoyment.

That is why we are publishing simultaneously these three documents – the London Plan, the Economic Development Strategy and the Mayor's Transport Strategy – because taken together they help to outline my vision and strategy for London.

To understand what needs to be done, try Googling our city with one of those satellite maps. Zoom in and out of London from on high.

You will see how the world beneath you is divided into two categories. There is private space – that is, homes and gardens occupied by individuals and their families.

But more than half of the London landscape by area – is shared space: roads, parks, canals,



rivers, squares, shops, piazzas, malls, stations, monuments and museums. This shared space is a vast and complex environment in which millions of perfect strangers must move, meet and negotiate.

What is it like in that shared space? Are people stressed, tense, crowded, unhealthy, unhappy, snappy or even downright hostile?

Or are they relaxed and good-humoured, surrounded by things of beauty both natural and man-made?

The genius of a big city lies in the way it organises that shared space, for the benefit of visitors and inhabitants alike.

We want to make that shared space ever safer, so that it is always pleasant to visit a park, and so that public transport is never threatening.

We need to bridge the gap between rich and poor, to fight illiteracy and youthful poverty

of ambition – not just because they are evil in themselves, but because they lead to the criminal disorder that affects everyone.

To make that shared space safer, we need to make it more beautiful. That is why we are seeking a world reputation for new and improved public spaces that Londoners will cherish for decades to come.

We will tackle stress and overcrowding by building houses that once again have decent-sized rooms, and we will insist on architecture that once again delights the eye.

London is now poised to lead the world in new green technology – from electric cars to home insulation to a new low-carbon bus to a bike hire scheme – that will help reduce CO<sub>2</sub>, sweeten the air, generate jobs and save consumers money at the same time.

Wherever we can we want to plant more trees, protect green space and push ahead with the expansion of an efficient and world-beating public transport system. These plans set out the fundamental economic and environmental importance of these transport investments for the whole of the Greater London area.

We want to let Londoners make the most of their innate talent and flair so that they make London's economy even more productive and successful and we want all Londoners to have the opportunity to find fulfilling jobs. That also means ensuring the conditions are right for the businesses that employ them to flourish.

This is a vast and disparate city, the product of centuries of immigration and technological change. But with energy and enthusiasm we intend to bring our communities together – celebrating our different traditions while sharing the humour and friendliness that unite us as Londoners.

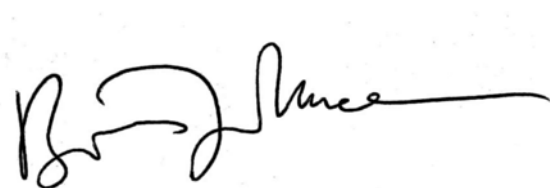
Whatever the current economic difficulties, I have no doubt of one thing.

With its growing population and astonishing base of skills and resources, London will not only lengthen its lead as the greatest city on earth.

It will come to be seen as the best big city on earth, the best big city to live in.

I believe these strategies will help us to achieve that ambition.

I look forward to your comments and suggestions.

A handwritten signature in black ink, appearing to read 'Boris Johnson', with a long, sweeping horizontal line extending to the right.

Boris Johnson

**Mayor of London**

# Executive Summary

## Introduction

The purpose of the Mayor's Economic Development Strategy (EDS) is to set out the Mayor's ambitions for the economic development of the capital; to provide the Greater London Authority Group<sup>1</sup> and other strategic organisations with a clear vision, an analysis of the economy and policy directions for achieving our ambitions; and to clarify roles and responsibilities with other parties who make a major contribution to developing London's economy, so that together we can build London's economic future.

The Mayor's overall objectives are to:

- London as a city that excels as a world capital of business
- ensure that it has the most competitive business environment in the world
- drive London's transition to a low carbon economy and maximise the opportunities that this creates
- give all Londoners the opportunity to share in London's economic success
- maximise the benefits to London from investment to support growth and regeneration

## London: world capital of business

London has already benefited hugely from globalisation, becoming a magnet for

inward investment and talent, and a hub of entrepreneurialism and innovation, with only New York as a serious contender to the title of world capital of business. London's specialisation and world leadership in several high-value sectors has created a well-established agglomeration of economic activity. The Mayor is determined to make London the world's most attractive proposition for businesses, students and visitors, and he will take a strategic and coordinated approach to enhancing the city's global profile.

## Improving London's competitiveness

London's businesses can only thrive if the city remains competitive – nationally and globally. Highly ranked as a business location in several independent studies, London has huge advantages. However, some are being eroded – not least due to rising taxation – and improvement is needed if we are to stay ahead of the competition. The Mayor will act as a champion for London, and work to promote and protect its diverse, innovative and open business environment.

A major aim is to gain a greater understanding of the competitive challenges we face and to determine how we can overcome them, identifying and addressing market failures that prevent London's leading sectors from achieving their full potential. If investment, business and skilled workers are to be attracted to London, improvements will be needed to some of the elements that contribute to Londoners' quality of life, such as the environment, health, housing, transport, and safety.

### **Transforming to a low carbon economy**

The transition to a low carbon economy is an urgent environmental necessity. This transformation, with its sizeable economic benefits, can be turned to London's advantage, provided we move fast. We need to manage the transition in a way that fully exploits the economic opportunities in this area, and minimises the economic damage of climate change.

London should use its experience, specialisms and reputation to develop market leadership; for example, it is already the leader in carbon trading and has renowned climate change research expertise. The Mayor will lead by example, using the resources and programmes of the GLA Group, including through its procurement. He will encourage actions that scale up investment in the low carbon economy and create the infrastructure London needs to establish itself as a low carbon capital with highly developed, tradable expertise (for example, retrofitting buildings, generating energy from waste, developing decentralised energy and recycling).

### **Extending opportunity to all Londoners**

Londoners' contributions to the capital are key to its success, and all Londoners should have the opportunity to participate in, and benefit from, that success. The chapter focuses on three key issues: tackling worklessness, addressing the root causes of low skills, and promoting equality and tackling deprivation.

The Mayor will address these challenges by promoting more effective education, training and support for employment and entrepreneurship; from getting schooling right to promoting the high-end skills that are critical to London's competitiveness. He will also work with partners to strengthen incentives, improve opportunities and provide more relevant targeted support to help people into work, encouraging their progress once they are in work, and bettering their housing prospects. Innovative approaches, more personalised support and improved delivery are required for Londoners facing complex and multiple barriers to participation in work.

### **Investing in London's future**

Only by making the right investments will London fulfill its potential as the world capital of business, a global leader in the low carbon economy, and a city offering opportunities and a high quality of life for all Londoners. Prosperity must be spread across the capital, addressing areas of deprivation across the city and, in particular, fostering economic and employment growth in outer London and maintaining the global role of central London. Two interlinked broad areas of investment are key to maximising London's potential and providing greater access to employment over the coming two decades: transport, and housing and regeneration, including building on the opportunity of the 2012 Olympic and Paralympic Games and its legacy.



## What happens next?

This document establishes the Mayor's broad intentions for building London's economic future. It calls for close collaboration between the Mayor, the wider GLA Group and private, public and third sector organisations across the capital. Only then can we succeed in ensuring London continues to excel among global cities.

The Mayor is launching this paper alongside the proposals for the London Plan and the Mayor's Transport Strategy so that responses can be considered in the light of all three. Together they offer a coherent integrated framework for successfully developing London as the best city in the world. They aim to give a clear lead to our partners on how London will change, enabling us to work together to make effective joint investment decisions over the coming years.

Like the London Plan and the Mayor's Transport Strategy, the EDS looks to the long-term, adopting 2031 as its horizon. However, in practice many of its policies are focused on the more immediate future.

The Mayor looks forward to a stimulating discussion on this consultation draft and will listen to the views of Londoners, London businesses and delivery partners. It is open to anyone to send in comments, which will be considered carefully before the new Economic Development Strategy is finalised and published.



# The Mayor's vision and objectives

**A.1** The Mayor has a vision for the sustainable development of London over the period covered by this Strategy. This vision will be the basis of all his plans, strategies and actions.

**Over the years to 2031 and beyond, London should excel among global cities, expanding opportunities for all its people and enterprises, achieving the highest environmental standards and quality of life, and leading the world in its approach to tackling the urban challenges of the 21st century, particularly that of climate change.**

Achieving this vision will mean making sure London makes the most of the benefits of the energy, dynamism and diversity that characterise the city and its people; embraces change while promoting its heritage, neighbourhoods and identity; and values responsibility, compassion and citizenship.

**A.2** This Strategy carries forward the Mayor's vision, focusing on London's economy. In those areas in which the economy is strong, the Mayor intends to take a supportive role. He will use his role as London's elected leader to encourage the conditions and business environment in which London's powerful economy can thrive. He will act as a champion for London, speaking up for business, arguing the case for continued investment in London and resisting changes that would damage its open and dynamic environment. He will act as a co-ordinator, encouraging sectors to work together and to pool resources towards common goals, such as the

promotion of London overseas. He will encourage the people and communities of London to continue to show the creativity and initiative that have contributed so much to its success.

**A.3** The Mayor's approach, working with the London Development Agency (LDA), Transport for London (TfL) and other partners, will be to allow effective markets to flourish, by removing as many barriers as possible to their productivity and, where it is effective to do so, correcting market failures that have been clearly identified. He will act to make London a better city in which to live, work and play. He will work with others to address the problems of worklessness and to open up opportunities for the Londoners who find greatest difficulty in entering the labour market and progressing at work. He will lead the transformation of London into a low carbon city.

## Alternative scenarios

**A.4** The Mayor has considered a number of alternative possible approaches to the London economy over the next 20 years. The London Plan examines different rates of population change and the Mayor believes that the figures used in the Plan, and in this Strategy, are the most likely. The Mayor has considered a number of economic forecasts and projections: they all show a similar trend in employment growth (see Figure 2). The patterns of future sector growth appear to be quite firmly established (see Figure 3): the Mayor is confident that the approach of encouraging consolidation of strength in business services and finance, together with some diversification into other growth sectors will be the most effective. He has explored

alternative assumptions about where economic development might go, for example, through the Outer London Commission, and concluded that a strategy of enabling the widest possible contribution to growth, particularly in outer London, is desirable, but that it is also essential to consolidate the unique strengths of central London. The responses to “Rising to the Challenge” (the earlier Assembly and Functional Bodies consultation document for the Economic Development Strategy) overwhelmingly endorsed the Mayor’s proposed strategic approach.

### The Mayor’s Objectives

**A.5** The chosen strategy of enabling the strengths of the economy to flourish and of addressing weaknesses leads the Mayor to propose five economic objectives:

#### **Objective 1: to promote London as a city that excels as a world capital of business.**

This objective seeks to sustain London’s leading place in the global economy by better co-ordinating its marketing and promotion and exercising its global strengths to the full.

#### **Objective 2: to ensure that London has the most competitive business environment in the world.**

This objective seeks to strengthen London’s economic productivity and competitiveness by fostering innovation, supporting business and removing barriers to effective business, and by addressing weaknesses which inhibit investment.

A core aim will be to improve the quality of life in London.

#### **Objective 3: to drive London’s transition to a low carbon economy and to maximise the economic opportunities this will create.**

This objective supports efforts to make the transition to a low carbon economy and in so doing to adapt to, as well as mitigate, the effects of climate change. This will be essential if London is to remain competitive on the global stage and continue to be a place where people wish to live, work and invest. It aims to ensure that London is well placed to exploit the enormous economic opportunities represented by the transition to a low carbon economy.

#### **Objective 4: to give all Londoners the opportunity to take part in London’s economic success, access sustainable employment and progress in their careers.**

This objective supports efforts to address weaknesses in educational attainment, low skills and poor access to and retention of work. It seeks to improve opportunities particularly for those most in poverty and in need, and to provide the quality of workforce essential for London’s globally competitive economy.

#### **Objective 5: to maximise the benefits to London from investment to support growth and regeneration, and from the 2012 Olympic and Paralympic Games and its legacy.**

This objective seeks to promote, manage and steer investment in order to assist all sectors of the economy, from the most productive global businesses to the corner shop, in the ways that are most cost-effective and to places that most need it, including outer London.

### **Cross-cutting themes**

**A.6** These objectives will reinforce one another. A number of themes thread through all of them, as set out below, including the statutory cross-cutting themes of equality of opportunity, community safety, health, health inequalities, sustainable development, and climate change adaptation and mitigation.

### **Innovation**

This is the golden key, which unlocks success, raises productivity and offers a big part of the answer to problems such as worklessness and tackling climate change. Innovation is integral to all five objectives and is particularly central to Objective 2.

### **Value for money**

The Mayor will promote a set of economic principles (see page 17) to ensure that investment is sustainable and well directed and, in a period of restraint in public funding, make existing assets sweat so that they are put to fullest use.

### **Equality of opportunity and diversity**

The ultimate goal of a successful economy is to enhance people's lives, and this must include all

Londoners. Success will be built upon the city's immense diversity. Equality and diversity are particularly addressed in Objectives 2 and 4.

### **Sustainable development and environmental improvement**

The Mayor is committed to ensuring that all his strategies contribute to the quality of the everyday environment of Londoners and promote economically, socially and physically sustainable forms of development. This is particularly integral to Objectives 2, 3 and 5.

### **Community safety, health and health inequalities**

The Mayor has given high priority to reducing crime and particularly youth violence, for example, through his Time for Action plan, and through new LDA programmes to expand youth opportunities. He is also committed to improving the health of Londoners and tackling health inequalities, and is taking forward his health inequalities strategy. These issues are key to improving Londoners' quality of life, which is an important aim of the EDS as well as other Mayoral strategies, and are particularly integral to Objectives 2 and 5.

### **Climate change adaptation and mitigation**

This key theme is addressed particularly through Objective 3.

## Putting the Mayor's objectives into practice

**A.7** The Mayor has responsibilities for economic development, transport, planning, and policing and fire services. The GLA Group provides major services and has significant assets. The Mayor will ensure that they act as exemplars of good practice in all their roles. They will promote a low carbon economy, and demonstrate good practice in promoting skills and employment opportunities.

**A.8** As the Mayor's economic development agency, the LDA will support the development and delivery of the proposals in this document. The Mayor, and the GLA Group, will work in partnership with organisations across London to turn his Economic Development Strategy into action.

**A.9** Much of the public spending in London is funded by national government, principally in health, education and social security<sup>2</sup>, albeit this is often devolved to more local levels. The Mayor will impress on Government the high return for the nation that can be achieved from investing in London's economy and infrastructure<sup>3</sup>, and the case for greater devolution of powers and resources to London.

**A.10** Twelve per cent of the UK population lives in London, but 21 per cent of the national Gross Value Added (GVA) – over £250 billion per year<sup>4</sup> – is produced here. Londoners are on average 30 per cent more productive than the rest of the UK<sup>5</sup>. In 2006/7, London generated between £8.4 and £18.4 billion more in tax

revenue than it received in public expenditure<sup>6</sup>. Sustained investment in infrastructure, including transport, housing, energy, waste, water, and communications will be essential if its competitiveness and innovation are to be maintained.

**A.11** In the tight financial climate of the next few years, the Mayor will encourage innovative ideas to maximise the use of existing resources and infrastructure. He also wants to see imaginative models of new "mixed funding" in which resources are brought together, which reflect the particular investment objective in a similar way to the funding of Crossrail. Investment decisions will need to be guided by alignment to the strategic objectives for London and a clear assessment of projected outcomes, benefits and return on investment. The LDA will use its assets and influence to work with partners, and working through the LDA, the Mayor will determine where to intervene and how to achieve maximum economic impact.

## A collaborative approach

**A.12** At the heart of this Strategy is the Mayor's belief that all those with a stake in London's economic future should pull together to achieve common goals. Over 76 per cent of employment in London is in the private sector<sup>7</sup>, underlining the importance of effective collaboration between the public and private sectors.

**A.13** The Mayor will work closely with other public sector agencies, including central government, the Homes and Communities Agency (HCA), the London Skills and

Employment Board (LSEB), the Skills Funding Agency/Young Peoples Learning Agency, the neighbouring Regional Development Agencies, the European Commission, Jobcentre Plus, the NHS, and Higher Education Institutions (HEI). He is committed to close working with the London boroughs, which have a central role in the care of their communities and local economies. Key private sector representative partners include the CBI, the London Chamber of Commerce and Industry, London First, and the Federation of Small Businesses.

**A.14** The Mayor also recognises the importance and the role of the third sector, which has a unique reach into sections of London's diverse communities. Voluntary sector partners are myriad, many being represented by larger 'umbrella' organisations, such as the London Voluntary Services Council. Volunteering is a tremendous force for good, both for the benefits it provides to volunteers and to the communities, and businesses they work with. It needs to be further encouraged.

### Co-ordinated plans and strategies

**A.15** By publishing the public consultation draft of the London Plan and the Transport Strategy alongside this Strategy, the Mayor is presenting a fully co-ordinated approach to London's economy, planning and transport. The objectives of each document are consistent with the others: the objectives of the London Plan and Transport Strategy are set out in Annex 1. In the coming months, the Mayor will also publish the London Housing Strategy, the Health Inequality Strategy, and the Climate

Change Mitigation and Energy Strategy. His draft Air Quality Strategy was published in October 2009.

### The Mayor's guiding economic principles

**A.16** The Mayor wants to foster growth through joint working across the whole economy, with an emphasis upon the release of imagination and an entrepreneurial ethic. He wishes to play a role as facilitator rather than to impose top-down plans. The Mayor will only intervene in the economy when he can be confident that it will do more good than harm. Resources are limited, so the GLA Group has to make sure it gets maximum impact from the money it spends. Improving the performance of investments is imperative, so the Mayor and GLA Group will apply a series of simple tests to determine the most effective use of public money. The Mayor will encourage other public agencies to adopt the same approach.

### Does it support the Mayor's vision for London and help align resources to this end?

In considering potential investments, a key factor is to consider their strategic fit and to ensure a coherent approach which aligns resources to help achieve the key goals for London.

**Does it address a market failure?** This is the most significant test; a whole range of market failures can impede economic efficiency, from greenhouse gases to a lack of street lighting. Eliminating these helps competitive markets to deliver the goods and services that best meet people's needs and preferences. This does not mean that the public sector can decide which

areas of the economy will succeed and fail. It should not try to pick winners. Doing so leads to inefficient choices that can damage London's overall economic performance.

### **Does it tackle the cause of market failure?**

Striking at the cause is more effective than supplanting the market. Good policy-making identifies the cause, diagnoses the failure, analyses ways of tackling it without creating state dependency and examines evidence for their effectiveness.

**Does it achieve a social objective?** The Mayor has a mandate to intervene for social reasons, for example, to address inequality. London's economy has changed markedly over recent decades, becoming increasingly dominated by service activities. The Mayor can provide support to deal with the consequences of such structural change. This can include alleviating market failures affecting skills and the labour market, or targeted equity and low carbon objectives.

### **Do the benefits outweigh the costs?**

Agencies should only pursue investments that offer value for money and are economic in achieving their objectives and efficient in yielding outputs. Agencies should also take account of any potential disbenefits, such as market distortion, and be confident they are outweighed by the benefits.

**Is the investment sustainable?** Agencies will invest in measures that help the market work. Those requiring prolonged resourcing or subsidies are unlikely to be cost effective and can prove detrimental to economic efficiency.

**A.17** The GLA Group will evaluate its own programmes and projects, and use its knowledge of what works to inform future selection and design. Robust quantitative evidence will help determine future investment priorities. Qualitative assessments of what has worked well will be used to aid agencies in designing future interventions.



## Why an Economic Development Strategy for London?

London's economy is a vast, diverse, innovative powerhouse. So why is an Economic Development Strategy needed?

First, major cities across the world are competing with ever-greater intensity in a global economy, so London needs a strategy that sets out its stall and offers a long-term vision, behind which everyone can unite and work together. The city needs a champion and the Mayor, as the elected leader, is the man for the job.

Second, despite its strengths, London faces some threats and has weaknesses that have to be addressed if its economy is not to falter. These include unacceptably high levels of deprivation and worklessness, and the risk that large numbers of Londoners will lack the opportunity to gain and retain work. The threats include the dangers that climate change poses to the city and its economy, and this is why it is important that London develops an approach that ensures a timely and effective transformation to a low carbon economy. Tackling these issues requires co-ordinated action across many fronts and involves many agencies.

Third, since 2008, London has had a new Mayor with a fresh perspective, which is reflected in this revised EDS. The city has experienced many changes since the publication of the previous EDS in 2005, such as the success of the bid to hold the 2012 Olympic and Paralympic Games

and the recent upheavals in the economy. The Mayor wants an up-to-date Strategy to deal with these and other changes. The EDS has to take a long-term perspective and the Mayor has chosen an end date of 2031. He has already set out his short-term actions in response to the recession in his Economic Recovery Action Plan.

Fourth, by law, the Mayor has to keep the EDS under review. Earlier this year, the Mayor initiated a debate on London's economic future in "Rising to the Challenge: Proposals for the Mayor's Economic Development Strategy". The responses to that document have been taken into account in this public consultation draft of the EDS and are summarised in a separate document. The Mayor regards this draft EDS as the next part of a conversation with Londoners. He will use a wide range of media, including web-based approaches, to consult Londoners as fully as possible.

Consultation on this document will last until January 2010. The Mayor will carefully consider the feedback and aim to publish the final EDS by Summer 2010.

The requirement for sustainability appraisals to be carried out on draft strategies like this one will be met, and these will be carried out and published at each main stage in the process of consultation and approval.



# An analysis of London's economy

**A.18** This chapter provides an analysis of London's economic strengths and weaknesses. There is a more detailed analysis in the Economic Evidence Base, which accompanies and informs this Strategy.

## London's economic strengths

### A vast, global city economy

**A.19** The first of London's many economic assets is its sheer size. With an output of £251 billion a year, London's economy is bigger than that of Sweden or Austria, and larger than Denmark's and Portugal's combined. The city is home to 7.6 million people and acts as the heart of a wider South East region of around 21 million<sup>8</sup>. Around three-quarters of a million people commute into the city every day<sup>9</sup>. This huge catchment area offers a readily accessible market for the city's businesses. A very substantial part of London's economy provides services to its residents, such as health care, schools or consumer services such as shopping and leisure activities. These services account for about half the jobs in London and are especially important in the economy of outer London, where 60 per cent of the population lives<sup>10</sup>. Many of them have been relatively fast-growing parts of the economy reflecting increases in population and income. With London's population projected to grow by around 1.3 million over the next 20 years or so<sup>11</sup>, these services will continue to be an increasing source of employment.

**A.20** The exceptionally large projected increase in the numbers of people living in London

makes it all the more essential that the economy grows fast enough to provide work for them. The number of jobs in London grew by 800,000 to 4.68 million from 1996 to 2007<sup>12</sup>. The total number of jobs in London could increase to 5.45 million by 2031, by about a further 750,000 jobs<sup>13</sup>. At a time when the population is likely to grow, but the economy's growth may be less robust, making sure Londoners are equipped with the skills to take up a greater proportion of the jobs in their city will be a key priority.

### An international centre of trade and innovation

**A.21** A major dynamo of London's growth is its trade with the rest of the country and with the world. Over the past 20 years, the business services sectors have dominated employment growth, providing an ever more diverse and specialised set of services tailored to the global economy. Globalisation has been a major asset to global centres such as London, leading to high levels of growth and high incomes. London has become a magnet for inward investment and talent, a hub of entrepreneurialism and innovation.

**A.22** London's capacity for growth across a range of businesses and sectors has created a well-established central agglomeration of economic activities. The concentration of activity in central London and its associated high land values show the premium that businesses are willing to pay to locate near the other firms with whom they both collaborate and compete. They pay to have unrivalled access to markets, labour and complementary

businesses. They benefit from knowledge spilling over from firm to firm and from sector to sector, adding greatly to the centre's higher productivity.

**A.23** London, with its long traditions of trading, offers an open and enabling environment for business. Its tax regimes are relatively favourable to business, though this advantage has been eroded by taxation increases. In an age of intense competition between cities, a business-friendly environment must be safeguarded.

**A.24** Hand in hand with its ability to reach across the world is London's tradition of innovation. The city has always shown a capacity to re-invent its role to meet change and new opportunities. Past decades have witnessed the decline of much of its manufacturing and dockland industries: manufacturing accounted for more than 23 per cent of employment in 1971 and less than five per cent in 2007. Great energy and initiative has been shown in shifting the orientation of the economy towards the financial, business and other services sectors. For the last two decades, high-value added business services have been the driver of London's economic growth. Business start-up rates have been higher than any other region in the UK. Successful innovation is strongly identified with high productivity, and this has been considerably higher in London than any other region.

**A.25** This capacity for innovation has been bolstered by the presence of four of the world's outstanding universities<sup>16</sup>. London has a rich mix of small and medium size businesses, which can

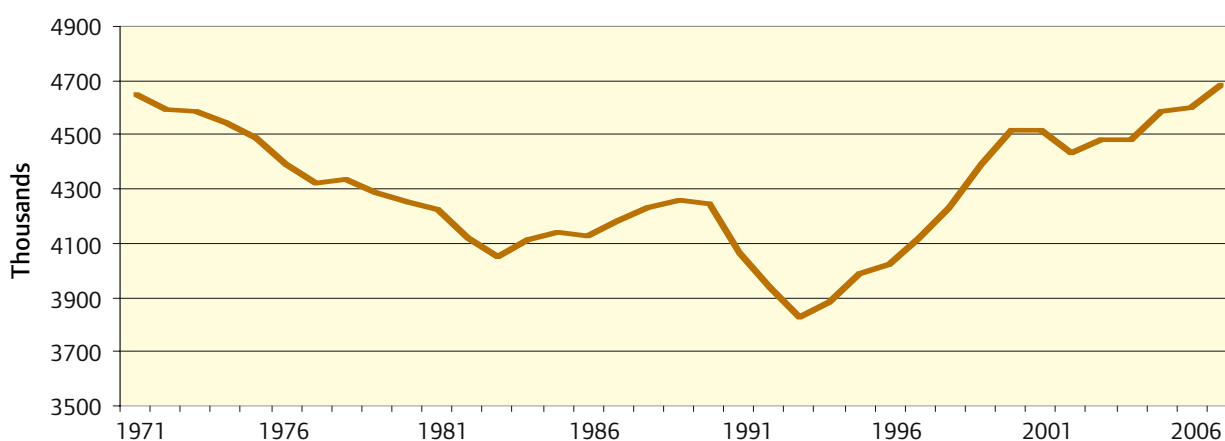
be seedbeds of innovation. The workforce, many of them attracted from outside by London's energy and culture, is relatively highly skilled, young and diverse.

**A.26** Over the next two decades, London will need to continue to re-invent and explore new economic frontiers as competitors seek to match its current strengths. It is probable that this period will, for example, see significant growth in the environmental sectors applying new knowledge and techniques to the challenges facing the planet, in the creative sectors and in new forms of business services meeting the needs of new markets and a changing world. Against this background, it makes sense to be open minded about emerging sectors in the economy and ensuring there are policies in place that allow them the space to grow in places meeting their needs, supported by the range of infrastructure they require.

**A.27** London's business will in particular have to keep up its leading position by benefiting from the vast markets developing in the emerging powers of the new world economy. By 2050, China is expected to be the largest economy in the world and India's economy will be a similar size to that of the United States<sup>17</sup>.

**A.28** In this effort, London will be assisted by its sheer internationalism. Its workforce is drawn from across the world, with many highly skilled people attracted to enjoy and work in its diverse culture. London has extensive international trading linkages and accounts for more than a third of all UK service exports and approximately half of all equity assets on

**Figure 1: London employment trends 1971-2007**



Source: Experian

its stock exchange are international – far more than its main rival, New York. The city is a major international transport hub.

### A resilient economy

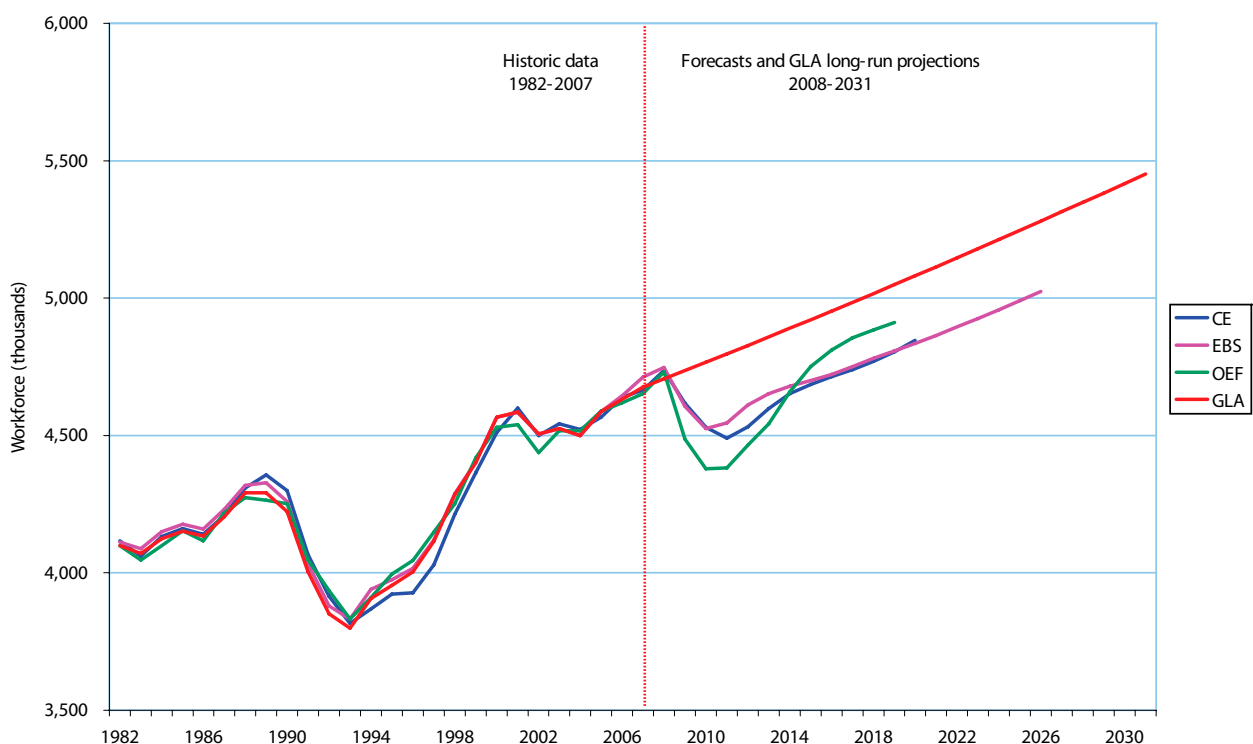
**A.29** What impact has the recession had upon London's economic success story? Over the past four decades, London's economy has experienced several downturns (Figure 1). Overall, employment in London declined through the 1970s and during the recession of the late 1970s and early 1980s.

**A.30** From then it grew during the service sector dominated upturn of the late 1980s. There was a significant downturn in the early 1990s. A period of substantial, if uneven, service driven growth then followed. London's output expanded by around 43 per cent

between 1992 and 2001, while civilian workforce jobs increased by around 19 per cent over the same period<sup>20</sup>. There was a further slowdown in 2002 following the collapse of the "dot com" boom and the 9/11 terrorist attacks in the United States. Output and jobs then rebounded, with output increasing by 13 per cent between 2003 and 2007<sup>21</sup>.

**A.31** This background allows us to put the current situation with recent significant employment decline in a longer-term perspective, and to take a balanced view about the likelihood of renewed growth. The fundamental strengths of London's economy remain intact and offer a firm foundation for recovery. These include its open environment and diversity, its geographical position in a "time-zone" accessible to the whole world, the use of English as a global business language,

**Figure 2: Employment Forecasts for London by various forecasters and the GLA's long-run employment projection to 2031 (2009).**



Source: Experian

and the qualities of its workforce. The forecasts and projections prepared for the Mayor, and those of independent forecasters who monitor the London economy<sup>22</sup> all show London experiencing a cyclical recovery following the current recession, followed by longer-term positive job growth thereafter. Growth is expected to rebound and employment levels are forecast to surpass the levels seen before the recession by 2018 at the very latest (Figure 2).

**A.32** The Mayor has already set out immediate practical measures to help businesses and individuals to cope with the downturn in his *Economic Recovery Action Plan*.

### A diverse economy

**A.33** London's economy is extraordinarily diverse, which is a factor that will help its recovery from the recession. This diversity reflects its rich inheritance as a centre for

**Table 1. Employees in London by sector 2007**

Sector	No of jobs	% in Inner London	% in Outer London
Health and social work	386,000	50	50
Retail excluding motor vehicles	367,000	46	54
Financial intermediation	326,000	86	14
Transport, storage and communication	303,000	44	56
Education	302,000	47	53
Hotels and restaurants	291,000	64	36
Other community, social and personal service activities	291,000	64	36
Public administration and defence; compulsory social security	225,000	60	40
Other business services not elsewhere in table	206,000	62	38
Manufacturing	183,000	46	54
Labour recruitment and provision of personnel	162,000	61	39
Wholesale	157,000	41	59
Construction	122,000	34	66
Computer and related activities	113,000	64	36
Industrial cleaning	108,000	55	45
Business and management consultancy activities	97,000	77	23
Real estate activities	95,000	66	34
Legal activities	94,000	86	14
Accounting and related activities	66,000	78	22
Architectural, engineering and related activities	64,000	74	26
Sale and repair of motor vehicles, and related activities	41,000	23	77
Advertising	35,000	81	19
Renting of machinery and equipment	17,000	32	68
Research and development	14,000	64	36
Agriculture, fishing, mining and utilities	13,000	60	40
<b>Total</b>	<b>4,079,000</b>	<b>58</b>	<b>42</b>

**Source data:** ABI 2007. Notes: data above cover employees only. In 2007 there were in addition 608,000 self-employed people (Labour Force Survey). Sector figures may not sum up to total due to rounding. Inner London is defined here as the boroughs of Camden, Greenwich, Hackney, Hammersmith and Fulham, Islington, Kensington and Chelsea, Lambeth, Lewisham, Southwark, Tower Hamlets, Wandsworth, Westminster and the City of London. Outer London is defined as all other London boroughs.

government, finance, commerce, culture, media and tourism. Table 1 shows the wide range of main sectors of the London economy.

**A.34** Despite the financial crisis, London remains the world's leading financial centre according to recent surveys. It leads for example, in cross border bank lending and foreign exchange turnover<sup>23</sup>. The crisis has centred on a limited area of financial services, wholesale and interbank markets and securitisation, where regulation is likely to be tighter in future. However, the sector includes many other types of financial services, which will continue to flourish. Financial services generate business for many other sectors such as professional and creative services, but finance itself accounts for only eight per cent of all London jobs<sup>24</sup>. The current crisis has underlined the need to ensure that the economy continues to broaden its base.

**A.35** The dazzling past performance of the now-troubled financial services sector has perhaps blinded us to the fact that London is world-leading in many other areas. The London economy has high levels of specialisation in many business services, such as computing, accountancy, creative industries, legal and consulting services and recruitment. Business services' share of GVA has risen from 22 per cent in 1998 to 27 per cent in 2008<sup>25</sup>.

**A.36** London's dynamic creative industries employ well over half a million people<sup>26</sup>. Jobs in retail, hotels and restaurants are expected to grow substantially<sup>27</sup>. London welcomes 14.8 million tourists every year – far more than any other city. London and the wider south east of

England are home to one of the world's premier clusters in the life sciences and biomedicine. In 2008 London hosted the headquarters of four of the world's six largest law firms. London is also a leading international centre for the provision of accounting and related professions services. London has four universities in the world's top 100, more than any other city.

**A.37** Beyond central London, and especially in outer London, the make-up of economic activities is closer to the profile elsewhere in the UK. This includes several of the largest sectors, such as health and social work, retail, education and public administration, which between them account for about a million jobs and are a major element of employment especially in many outer London boroughs.

**A.38** The economy is as diverse in the size of enterprises as it is in sectors. Whilst the headquarters of many leading companies are found in central London, there is a plethora of micro, small and medium sized companies, often providing key services to larger corporations. There are over 600,000 self-employed people in London<sup>28</sup>.

**A.39** What changes might there be to the London economy by 2031? It is likely that manufacturing will continue to decline, from 224,000 jobs in 2007 to about 90,000 by 2031. Traditional manufacturing industry has found it increasingly difficult to meet competition from emerging economies. Business and financial services could grow from 1.56 million in 2007 to 1.98 million in 2031 (representing 38 per cent of the net new jobs projected



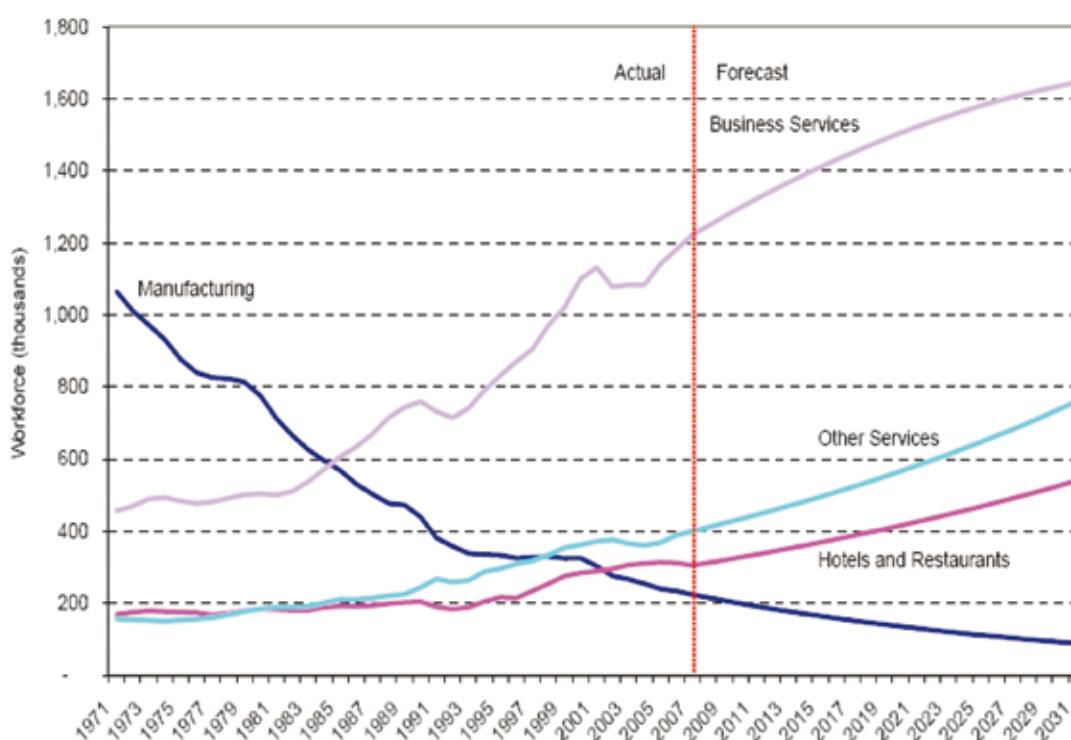
between now and 2031). Jobs in “other services” (leisure and personal services) are projected to grow by 360,000 (about one-third of projected new jobs) and those in hotels and restaurants are set to grow by 235,000 (about one-fifth of new jobs). Other sectors where growth might be expected include health and education (around 54,000 more jobs) and retail (36,000 new jobs)<sup>29</sup>. There will be changes to the way London works, as firms adjust to the imperatives of climate change and make more use of information and communications technology.

## London’s economic threats and weaknesses

### Tackling climate change

**A.40** London needs to show leadership in climate change mitigation but it also needs to adapt to the unavoidable impacts of climate change. As a low-lying, high-density, estuarial city, it is particularly vulnerable to the impacts of climate change – flooding, overheating and drought. London is well placed to develop expertise in sectors that are able to respond to the growing market opportunities in the areas

**Figure 3: Employment projections for London by sector 2031.**



Source: GLA Economics

of climate change mitigation and adaptation. It is currently the global market leader in carbon finance and its wealth of specialisms in the finance, legal, consultancy and academic sectors provide it with real strengths in areas of the value chain associated with low carbon economic activity. However, we need to identify and better understand its wider existing and potential strengths in the low carbon economy and its related supply chain so that all of London's businesses can capitalise on the market opportunities associated with a low carbon economy and maximise London's share of this expanding global market. Objective 3 addresses these issues.

### Worklessness and skills

**A.41** London has an unusually large proportion of highly skilled workers, some of whom migrate here from other parts of the UK or abroad, but also a relatively high percentage of people with few or no skills<sup>30</sup>. If London is to compete successfully in the global economy, it has to have a workforce equipped with the range of skills needed to deliver cutting edge enterprises and day-to-day services to individuals. It is difficult for adults with low qualifications to improve these later in life, so it is crucial to get it right first time, in schools. Too many Londoners lack the attributes needed to find work, and to progress once in a job. There are groups that often experience particular barriers to getting appropriate work. Objective 4 addresses these issues.

### Quality of life

**A.42** London scores very well on most indicators of attractiveness to business. It has some outstanding qualities, including much of its culture and built and green environment. However, it has a distinctly mixed performance on indicators of the overall quality of life. If London is to excel as a global city, its quality of life has to be perceived by potential business, investors and migrant workers as amongst the very best cities in the world to live in.

**A.43** Key areas of concern are that too many Londoners experience poverty, poor health, inadequate housing and other forms of disadvantage<sup>31</sup>. Too many parts of the city have uninspired architecture and design. Moving around London can sometimes be a struggle. Objectives 2, 4 and 5 address these issues, which are closely related to the challenges of worklessness and skills covered in detail in Chapter 4.

### The lessons from London's history

London's position at the heart of the global economy is in many ways a continuation of its remarkable history. It is not a city that grew overnight out of success in a single industry, and it has no coalfields or gold mines. But it has, for centuries, remained at the forefront of economic developments because of its location, by being open to the world, flexible, and by specialising in high-value areas where it can achieve maximum return.

London can trace its development to the Roman bridging of the River Thames – immediately putting it at the centre of international and national trade routes. It became a centre for commerce in the late middle ages, with wool dominating its exports. Merchants from northern and southern Europe traded in London, helping to establish early London's open trading culture, while different trades planted distinct neighbourhoods, establishing the capital's street patterns and its medley of quarters, which remain recognisable today.

The early modern era (1500 – 1700) saw London grow rapidly to become Europe's largest city, with a population of nearly 600,000, swallowing up the ancient gap between Westminster and the City, linked by the newly constructed Strand. Exports, re-exporting and imports all grew substantially, creating large trading companies – while the service sectors and medical and legal professions became strongly established.

The capital's growth exploded in the nineteenth century, with 5.5 million inhabitants by 1891, and saw the development of a city teeming with myriad forms of manufacturing, services, professions, and arts – a city at the forefront of innovation, but from which large scale factory-based manufacturing was largely absent. The century also saw London rise to world city status – the City of London after mid-century becoming the world's undisputed financial centre, assisted by colonial expansion and empire.

For most of the 19th century up to the early 20th century, London was the largest city in the world. As the centre of world trade, it had the largest docks in the world (the Royal Victoria and Albert docks), and was for long the largest shipbuilder in the world. London's commercial dominance, openness and entrepreneurialism enabled it to be always at the forefront of new opportunities. There is a direct line between London's dominance of world trade two centuries ago, through its leadership in marine insurance (in particular Lloyds of London), to London's current dominance of the world insurance market.

London's population and economy expanded in parallel; it led the way in both suburbanisation and the mass consumer market. As demand for consumer goods exploded in the 1930s and 1940s, London produced vacuum cleaners (such as at the now listed Hoover factory in Perivale), light bulbs (along the North Road), televisions and radios (along the A40 and A1), and Vauxhall cars in

Vauxhall. These were the high tech, value-added investments of their day.

But as production of consumer goods became standardised, it disappeared to lower value locations, and from the 1980s onwards information technologies took over. Eventually they too became standardised and moved out, and the growth industries became those using these technologies – such as management consultancies, advertising agencies and publishing. For the last two decades, these value added business services have been the main driver of London's economic growth.

For a more detailed economic history of London see **Annex 2**.

# 1. London: world capital of business

## Objective 1: to promote London as a city that excels as a world capital of business.

**1.1** From the factories of China to the industrial heartlands of the US, much of the world has been touched by the defining economic feature of our age – globalisation. London has embraced globalisation to its advantage, specialising in various economic activities that have global markets and which generate huge returns on investment. International trade had been growing for more than 25 years on an annual basis, but since October 2008, trade flows have contracted rapidly. Nevertheless, globalisation is such a powerful force that it seems highly probable that recovery will take place, but that world trade will take some time to reach the pre-October 2008 levels.

**1.2** London is regularly placed at or near the top of various league tables of international commerce, such as the MasterCard Worldwide Centres of Commerce Index (London 1st, 2008), the City of London's global financial centres index (London 1st, all editions, September 2007 – March 2009), and the Cushman and Wakefield "European Cities monitor" (London 1st, 2005-2008). London's strength in global business will continue to be the driver of economic growth. This objective advances the Mayor's vision of a city that excels amongst global cities, and promotes the excellence of its global leaders, businesses and services.

**1.3** London's economy has become profoundly integrated with the rest of the world. First



and, perhaps, foremost has been the explosion of foreign direct investment into the capital. Despite the 2008/9 recession, London remains the European leader for inward investment with an annual £52 billion foreign direct investment<sup>32</sup>. The city's exports in goods and services were an estimated £58.7 billion in 2007<sup>33</sup> – equivalent to over one-fifth of the size of the capital's economy. Tourism delivers £22 billion additional revenue and over 250,000 jobs<sup>34</sup>. London's 93,000 students contribute over £1.5 billion a year to the capital's economy<sup>35</sup>.

**1.4** There are enormous economic advantages to being – and being recognised as – a global centre of excellence. It ensures that London is a global magnet for talent and business, fuelling a virtuous economic circle. The most successful commercial cities will tend to attract the most talented people. The deep pool of talent enjoyed by global centres of excellence propels innovation, putting them in an unrivalled position to create and exploit new

markets. For a global leader, the market is the entire world, increasing the customer base and giving greater opportunities for the highest-level specialisations, which are only viable at the global level.

**1.5** Being a world leader creates more wealth for London and the UK. Globalisation builds on London's natural advantages and especially its geographical position – enabling it to do business with the whole world in a single day – and the increasing use of English as a business language throughout the world.

## Promotion

### Proposal 1A

**The Mayor will work with partners to strengthen the promotion of London as a global leader and will encourage promotional agencies to work collaboratively.**

## Analysis

**1.6** In an age of fierce global competition, cities must be able to sell themselves effectively. The current structures involve separate agencies dedicated to key markets – inward investment, tourism, higher education, and film – which mostly work independently, rather than collaboratively. Some cities have succeeded in establishing a strong “brand”, especially New York's Big Apple and ‘I love NY’ brands, which of course have been copied worldwide. London does not have a clear brand. Whilst its heritage is immensely valuable

as an asset, images of beefeaters do nothing to convey the immense changes that have made London a modern as well as an historic city.

**1.7** London has significant clusters of businesses that are true world-beaters and their strengths should form part of the promotion of London. These leading sectors include financial services, the creative industries, life sciences, legal and accountancy services, and universities. London is also the world's leading tourist destination<sup>36</sup>.

**1.8** Over the time span of this Strategy, new global leaders will emerge and should be promoted. For instance, one market London could exploit as global populations age, particularly in the richer western world, is the growth of medical tourism. Research commissioned by Think London<sup>37</sup> suggests that demand from globalising companies in software, telecoms, retail, and consumer industries will increase in importance.

**1.9** Over the next 10 to 15 years it is estimated that between 1,400 and 3,200 companies from China, Taiwan, South Korea and India may consider moving to Europe. The potential this will create is exemplified by the fact that fewer than 40 per cent of the top 100 companies in China, India and South Korea combined have already established a headquarters or significant office in Europe<sup>38</sup>.

## What the Mayor will do

**1.10** The Mayor will champion the capital and its businesses to both potential inward

investors and to international customers. The Mayor and the LDA will work with partners to target established and fast growing international businesses to encourage them to establish and maintain a global, European or UK headquarters in London.

**1.11** The Mayor has set up the Promote London Council to oversee the overall promotion of the capital, with representatives of all parts of London's economy. The Council advises the Mayor and the LDA on the promotion of London in order to maximise the benefits to London's economy.

**1.12** The Mayor, stakeholders and Londoners will develop an engaging brand for the capital, which will be launched in 2010. The brand will develop a compelling story about London and its attractiveness, which can be adapted to many different markets.

**1.13** The GLA and the LDA work with a number of promotional agencies: Visit London, Think London, Film London, and Study London. The GLA and the LDA intend to measure all marketing spend by promotional agencies using return on investment (ROI), to enable comparisons between sectors. ROI targets will need to be established for the agencies as a whole, with measurements commissioned wholly independently from the agencies themselves and reported directly to the GLA and the LDA.

**1.14** The Mayor will also consider options for ensuring greater collaboration between the agencies.

**1.15** The Mayor will encourage promotion of London's existing and potential global leading sectors as examples of London's qualities as a global business location. He will also encourage the tourist industry to improve the quality of the tourism offer, for example, through improving skills and quality of service in the hospitality sector, and continue promotion efforts directed at emerging markets. London's position in the business visitor market is less strong than in the leisure visitor market, but is improving and benefiting from investment, such as the continuing expansion of the ExCeL centre as a location for major conferences, and the planned expansion of other major venues such as the O2.

### **Proposal 1B**

**The Mayor and GLA Group will work with the London Organising Committee of the Olympic Games (LOCOG) and other key partners to promote London to the world, taking full advantage of the 2012 Olympic and Paralympic Games opportunity.**

### **Analysis**

**1.16** The 2012 Olympic and Paralympic Games provide a once in a generation promotional opportunity, with potential global audiences of half the planet's population. London's image, as conveyed by the 2012 Games, therefore needs to have wide international appeal. There is great scope to help overcome outdated and negative perceptions of the city, and promote the opportunities for inward investment



including in the Olympic legacy. Before, during and after the 2012 Olympic and Paralympic Games, London's fantastic array of artistic, cultural and sporting assets and events must be showcased, using 2012 as the critical promotional hook. Meanwhile, a huge effort is required so that during the 2012 Games the visitor experience is world-class, welcoming, accessible and affordable, with great hospitality, entertainment and attractions, and improved visitor information, as well as excellent logistics, especially in moving visitors and Londoners around.

### What the Mayor will do

**1.17** The Mayor will use the opportunity to portray London as the business capital of the world, a thriving centre for firms to locate, with a rich pool of talent. Achieving all this requires a strong, strategic, coordinated approach, which the Promote London Council, set up by the Mayor, will help provide. The London Organising Committee of the Olympic Games (LOCOG) and the city's promotional agencies will work with businesses and boroughs to support this. The Mayor will also lead the coordination of city operations at the 2012 Games, working with government, LOCOG, the boroughs and London's private sector to ensure the best possible experience for visitors, and spectators and to keep London working and moving. Investing in and contributing to this effort should be a key priority for the LDA and TfL with a focus on maximising long-term legacy benefits.

### Proposal 1C

**The Mayor will work with partners to develop a comprehensive international trade strategy to increase London's exports, particularly in rapidly developing markets such as India and China.**

### Analysis

**1.18** Between 2002 and 2007, London's total exports of goods and services rose from £38 billion to £59 billion<sup>39</sup>. However, there remains substantial potential to increase exports, especially with the strongly growing economies of China and India, for example, by ensuring that London is effectively represented at international events around the world.

### What the Mayor will do

**1.19** The Mayor has produced London's Export Promotion Programme in conjunction with UK Trade and Investment (UKTI) and the LDA<sup>40</sup>. The programme is designed to help London's Small and Medium Enterprises (SMEs) to take the plunge into international markets, to help those already trading overseas to increase exports and find new markets, and to promote areas of excellence in London's economy. The programme will increase the number of trade missions and trade advisors to meet the demand from companies for advice and assistance in reaching overseas markets.



**1.20** The LDA and UKTI will develop a more comprehensive international trade strategy for London, one which examines the international trade performance of the capital now, what it should be in the future, and how to bridge the gap.

**1.21** The Mayor will encourage different agencies to use common marketing material to present a united 'front of house' operation, while passing on contacts to relevant specialists. The Mayor and the LDA have representation overseas in Beijing, Shanghai and Mumbai, which will continue to promote London to these fast growing economies as a leading global city in which to work, live, invest, study, and do business.

**1.22** London has communities drawn from all parts of the world, which retain strong links with their countries of origin. The Mayor will continue to hold dialogues with representatives of London's diverse communities to understand their needs and identify areas where the GLA Group can assist in meeting them. The Mayor wants to celebrate the capital's rich cultural diversity and encourage the use of these links to promote opportunities for business and exporting.



## 2. Improving London's competitiveness

**Objective 2: To ensure that London has the most competitive business environment in the world.**

**2.1** London's economy can only thrive if its environment is conducive to carrying out competitive business. This chapter sets out measures to help support a thriving economy that is able to generate sustainable and increasing employment. The Mayor will do this by fostering innovation, supporting business competitiveness, improving the quality of life and making London as attractive as possible to investment, business and workers.

### Innovation

#### Proposal 2A

**The Mayor will work with partners to further develop London's capacity for innovation, particularly for SMEs, by encouraging collaboration across sectors, promoting more productive links between business and academia, providing support for innovative activities, promoting entrepreneurial skills, and helping in accessing funding.**

### Analysis

**2.2** Innovation is fundamental to economic growth<sup>41</sup> and improvements in welfare. London has been at the forefront of innovations for most of its history. The processes by which innovation moves from an idea to a commercialised product or service are complex. Larger businesses that innovate, such as the



big pharmaceutical companies, may oversee the entire process – from first idea, through research, development, testing, to taking the product to market. However, many good ideas come from universities, the NHS, SMEs, and individuals. These players might not themselves have the capability or capacity to generate the full benefits of the idea, so close collaboration is vital. London benefits from a dense agglomeration of institutions that can and do innovate together for mutual benefit.

**2.3** An innovative environment is crucial for the private sector in London, which accounts for over 76 per cent of employment in the regional economy (with a further seven per cent in the third sector<sup>42</sup>). London is fortunate to have a sizeable and sophisticated investment community, including individual angel investors, who are able to spot potentially profitable propositions and provide the necessary finance and support. However, many good and potentially profitable ideas still fail to get off the ground, either because they are not able to

access potential investors, or because they are at a stage when the size of investment sought does not justify the costs required to conduct the necessary analysis and due diligence.

This gap has often been filled by public sector support, including LDA programmes. The Government also invests significantly, for example, in the proposed UK Innovation Investment Fund, and the Mayor wants to ensure that London businesses put forward viable proposals and access these forms of finance to the full.

**2.4** In a dynamic economy such as London's, acquiring skills and qualifications needs to be matched by an ability to deploy them effectively to generate economic and commercial value. In organisations, this is traditionally related to the ability of managers and executives to get the best out of their workforce. In an economy which places a premium upon innovation and creativity, there will also be a particular need for entrepreneurial skills.

**2.5** Such skills are important for those wishing to start up in business or enter self-employment. The key characteristics are an ability to turn an idea into a sellable product or service, to develop a business plan, buying and selling, financial planning and problem solving. These capabilities are also the types of skills that businesses increasingly value. Equipping the workforce with entrepreneurial skills is well developed in the US, where such training is common in schools, colleges and universities across many different types of courses. It is less advanced in the UK, but there are many good

examples in London (including the national entitlement to enterprise education at Key Stage 3), which should be further developed.

**2.6** London has an outstanding resource in the range and quality of its higher and further education sector<sup>43</sup>. It is, for example, home to three of England's five academic health science centres. The UK Centre for Medical Research and Innovation at King's Cross is a good example, being a partnership between University College London (UCL), the Medical Research Council, Cancer Research UK, and the Wellcome Trust.

### What the Mayor will do

**2.7** The Mayor and the LDA are committed to supporting innovation in London's businesses. The Mayor believes that the capital is already well equipped with large numbers of highly qualified and entrepreneurial people as well as a sophisticated investment community. He will encourage collaboration across sectors and provide support for innovative activities, especially in SMEs.

**2.8** The Mayor recognises the role that the public sector can play in supporting the private sector to invest in new products and services, for example, universities and the NHS have their own innovation centres. However, he believes that this must be led by professional expertise from the private sector and, given the high costs associated with such support, must demonstrate why public support is necessary and that such support is likely to provide a return to the taxpayer.

**2.9** The Mayor thinks that there is potential for even more effective collaboration between the education sector and business to stimulate ideas and raise productivity. He would like to see better-focused government investment in research funding.

**2.10** The Mayor considers that developing entrepreneurial capabilities should be an increasingly important element of education and skills development, from schools through further and higher education and into working life. A good knowledge of how to run a business will also allow individuals to make informed choices about whether to start up their own. He will encourage a focus upon enterprise in the new academies he is supporting (see Objective 4). He believes that there could be opportunities to make greater use of competitions to encourage the development of entrepreneurial skills.

## Supporting Business

### Proposal 2B

**The Mayor will promote cost effective business support programmes for London's businesses, and especially its SMEs, working with central government, the LDA, local authorities, and business representative organisations in London.**

### Analysis

**2.11** The growth of business services dominates long-term structural changes to London's economy and has led to a diverse range of

business activities in the capital. Small and medium-size enterprises (SMEs) account for about half of all private sector jobs<sup>44</sup>. Micro businesses and the self-employed also make vital contributions. London's economy has disproportionately more large employers than other regions, and they too are critical to our continued prosperity.

### What the Mayor will do

**2.12** The Mayor, through the LDA, will play a catalytic and facilitating role in supporting London's economy. He has already made a rapid and flexible approach to enhancing business support through his Economic Recovery Action Plan published in December 2008.

**2.13** The Mayor recognises that most businesses and entrepreneurs seek support and advice from private sector companies and from other entrepreneurs through business, social and family networks. The role of public sector services is to complement the private sector offering or to help those businesses and individuals that do not have such ready access to these private sources.

**2.14** Business Link is the main gateway to all publicly funded business support in London. It provides information to businesses, conducts initial diagnostics and then brokers businesses onto further support in the form of private or publicly funded programmes. The LDA is currently in the process of renewing the Business Link service in London and is conducting a review of the remit and operation of the future service. The new service will be commissioned in 2010.

**2.15** The LDA continues to review the business support needs of London to ensure that resources used maximise the benefit to the economy, to sustained business growth and to sustained job creation, or deliver clear equality objectives.

**2.16** Business support programmes should aim to support pre-start and small/early stage businesses in a low cost way, given their failure rates at this early stage. The case can be made to focus scarce resources to address specific barriers, for example, such as are faced by some London communities with a lack of access to seed capital. In line with the economic principles of this Strategy, the public sector should only intervene where there is clear evidence that the market is not providing the most economically efficient solution and where public sector support can improve on this.

**2.17** Public funded business support is being simplified with the introduction of the national 'Solutions for Business' package. This will continue to provide a framework of business support services and solutions to meet business needs – designed to help businesses start, grow and succeed. The LDA will identify, select and design the appropriate levels and types of 'Solutions for Business' interventions required to assist London's businesses to flourish, and any specific regional solutions that may be appropriate, for example, support in accessing public procurement opportunities.

**2.18** The Mayor will facilitate a joined-up approach to engagement with business, including working with both business representative organisations and major businesses to support

SMEs, and recognising that business-to-business advice and interaction is often the most effective and well accepted form of help. An example of opening up opportunities for SMEs is CompeteFor, which enables them to compete for contracts for the 2012 Olympic and Paralympic Games and other substantial projects. One example of low cost light touch advice at the early stages could be to run regular seminars for key sectors attracting high numbers of small start-ups, as is done in New York for those thinking of starting restaurants. This helps reduce abortive investment, as well as helping those who decide to continue to achieve greater success.

**2.19** The LDA will also engage with London's largest employers to understand their priorities and needs. This will complement work with SMEs. A significant concern for bigger businesses is the health of their supply chains, which typically include many SMEs. Major businesses are working with the Mayor and the LDA to provide greater support to SMEs.

### **Making London as attractive as possible to business**

**2.20** By many standards, London already has a highly attractive business environment. However, some of the city's advantages are being eroded and others need strengthening. In particular, the impact of the recession is now beginning to be felt in public finance constraints and in higher taxation, which will deter internationally mobile talent from working in the capital. Meanwhile, other commercial centres, currently in the second and third tiers, are rapidly improving. Cities like Shanghai and Singapore are developing

expertise wholesale in areas where London has been traditionally strong. Niche centres such as Bermuda, Geneva and Dublin are successfully targeting areas where London previously had a dominant market share.

### Proposal 2C

**The Mayor will monitor the factors affecting London's competitiveness so as to identify where corrective action is needed to address factors having a negative effect.**

### Analysis

**2.21** The European Cities Monitor by property consultants Cushman and Wakefield has placed London as the top place to do business for every year since 1990. In 2008, it was judged top in six out of twelve criteria, scoring highly on availability of qualified staff and access to markets, as Table 2 shows. The table also shows some criteria, such as quality of life and freedom from pollution, where London needs to do better. A number of other surveys of ranking are referred to in paragraph 1.2, which supports the generally positive picture shown in the Cushman and Wakefield analysis.

**Table 2. Attractiveness of London to business**

	2005	2006	2007	2008	2008 Leader
Availability of qualified staff	1	1	1	1	London
Easy access to markets	1	1	1	1	London
Quality of telecommunications	1	1	1	1	London
External transport links	1	1	1	1	London
Cost of staff	22	16	25	29	Warsaw
Climate for doing business	6	5	2	5	Dublin
Language spoken	1	1	1	1	London
Office space – value for money	24	29	18	24	Leeds
Internal transport	2	1	1	1	London
Availability of office space	3	1	2	5	Berlin
Quality of life	13	7	11	14	Barcelona
Freedom from pollution	27	26	29	27	Oslo

Source: European Cities Monitor, Cushman & Wakefield (2005–2008).

**2.22** The Mayor will work to consolidate London's relative strengths, help to remove barriers to business and overcome its perceived weaknesses. He will keep under review a wider range of factors affecting London's overall competitiveness and hence its productivity.

### Proposal 2D

**The Mayor will continue to be an active champion of business and will lobby government, and encourage an open and competitive business-friendly environment and a flexible and skilled labour market.**

### Analysis

**2.23** Because London is such an international city and its economy is so large and so globally oriented, international and national decision-making and regulation can have big impacts upon it. Clear and predictable tax and regulatory regimes are necessary if London is to maintain its leading position in financial services. The regulatory burden has been light in the UK compared to our competitors. However, the financial crisis is provoking responses from national government and European regulators which threaten to reduce this advantage.

**2.24** The UK's previous position of relative strength in terms of tax burden is rapidly deteriorating. The new 50p top income tax rate will be the highest amongst our main competitors. There have also been other recent changes to the UK tax system with adverse

effects. The massive escalation in government borrowing increases the likelihood of future uncompetitive taxation in the UK relative to other countries.

**2.25** The availability of skilled labour is one of London's clear strengths. This relies in significant part on the capital's ability to attract talented individuals from around the world: a significant proportion of the London workforce is migrant labour. An open immigration policy is important to London's continued economic success. The shift towards a more restrictive approach through the points based visa system could pose a threat to London's competitiveness.

### What the Mayor will do

**2.26** The Mayor will collaborate with partners to advocate changes that will improve the legislative and regulatory environment for London's international business, and will resist changes that would damage it. In particular, clear and predictable tax and regulatory regimes are key to London's maintaining its leading position in financial services. The Mayor has been very active in campaigning against proposals which would damage business in London. He will continue to campaign, and will take forward work on competitiveness with other partners to help inform and coordinate effective advice and lobbying campaigns on the range of issues that threaten the capital's competitiveness. The Mayor supports the creation of a new independent board and agency to promote London's financial services more systematically.



## Proposal 2E

**The Mayor will work with partners to ensure costs to business are kept as low as realistically possible.**

### Analysis

**2.27** London specialises mostly in high-value added activities, so staff costs are likely to remain high compared to other locations, although the recent depreciation of the pound has improved the situation for international businesses. Relatively high staff costs will inevitably occur in successful sectors of the economy, which attract high quality workers from across the world. High land values and generally heavy demand impact on the cost and availability of suitable office and other workspace in London. Congestion costs are relatively high.

### What the Mayor will do

**2.28** Through the London Plan, the Mayor will ensure that there is sufficient long-term capacity for workplace growth, in central London, Canary Wharf and in other parts of London, including town centres. He will encourage a range of workspace provision to suit different needs and will support a mix of uses where this will help to make economic activity more viable. He will set out measures to improve accessibility, increase the efficiency and effectiveness of the transport system, and manage congestion and its costs in the Transport Strategy. These measures are discussed more fully under Objective 5. The London Housing Strategy will address the cost, supply and quality of housing.

## Proposal 2F

**The Mayor will work with the neighbouring regions to achieve mutual economic benefits.**

### Analysis

**2.29** London and the two regions that surround it, the South East and East, together account for 44 per cent of UK output<sup>44</sup>. Whilst there will inevitably be competition between them, there are also opportunities for mutual benefit in a heavily inter-connected metropolitan mega-city region. For example, many of the support services for London, and a significant part of its workforce and consumers, lie beyond the London boundary and need good access into the city.

### What the Mayor will do

**2.30** The Mayor believes that collaboration between London and the wider metropolitan region can help to share the costs of investment in transport, water, energy, and other infrastructure. London can also benefit from resources such as the knowledge hubs of Oxford and Cambridge and reciprocate with the expertise in its own leading universities.

### Improving the Quality of Life in London

**2.31** A good quality of life is important for Londoners. It is also necessary in a very competitive global economy if investment and skilled labour are to be attracted to the city. Proposals are made under Objective 4 to improve the quality of life in terms of

support for children, education, housing, and skills development. The quality of transport is considered under Objective 5.

**2.32** London performs well in terms of some quality of life criteria such as its cultural life and rich heritage. In other areas the perception of quality of life is more mixed, judged against competitor cities. The overall perception of the quality of life is the accumulation of a range of issues, which must be addressed to help improve the lives of Londoners and make the city as attractive as possible to investors, businesses, workers, and tourists. Key aspects of quality of life include the environment, health, crime reduction, and access to culture, sport and entertainment. These are considered further below.

## Proposal 2G

**The Mayor will work with boroughs and other partners to improve the quality of the environment in London.**

### Analysis

**2.33** The environment in London ranges from some of the finest to some of the worst in Europe. 31 per cent of London's area is covered by green space<sup>45</sup>. London has some of the world's most attractive parks. The capital has an inspiring heritage of superb places and buildings. However, it also has many neighbourhoods that suffer from poor design, graffiti and litter, loss of front gardens, high levels of air and noise pollution, and an overall sense of neglect, which tends to destroy

community life and deter investment. These problems, taken together, contribute to the perception of London as a less attractive place than some of its competitor cities.

## What the Mayor will do

**2.34** The Mayor has published "*Leading to a Greener London*"<sup>46</sup> and has included a wide range of measures in the London Plan to improve the quality and sustainability of the environment, to protect and improve London's areas of excellence, and to encourage massive improvements in the most degraded places. A particular priority will be to encourage the innate vitality and diversity of London's neighbourhoods. He will continue to plant street trees, create space for growing food, and expand the network of green spaces. As an example, the Mayor is upgrading run-down parks using efficiency savings and has pledged to plant 10,000 trees by 2012. The Mayor will use his planning powers and offer design advice to encourage design and architecture that is pleasing to the eye. He has also published a revised Air Quality Strategy that includes a number of measures to clean up London's air.

## Proposal 2H

**The Mayor will work with the NHS and partners to improve health in London and reduce health inequalities.**

### Analysis

**2.35** London's health service (along with social care) is vital to maintaining London as an exemplary, sustainable world city. A healthy workforce is essential for a productive economy; ill-health (including mental illness) is too often a deterrent to access to work. London forms the hub of health-related research and development in the southeast of England, and it is a centre for clinical, training and research excellence. The NHS and Local Delivery Plans provide plans to modernise services, improve the health of the local population and narrow inequalities in health. Health is a major employer and a valuable part of the London economy and includes fast-growing sectors such as biomedicine.

### What the Mayor will do

**2.36** The Mayor has a duty to address health inequalities and the determinants of health in London and to improve the health of Londoners. In his Health Inequalities Strategy, the Mayor commits to a comprehensive programme of action to make London the foremost of world cities in reducing health inequalities. The Strategy looks at the wider determinants of health, which include the empowerment of individuals and communities and the contribution of factors such as sport and exercise, housing and air quality.

## Proposal 2I

**The Mayor will work with partners to improve and promote London's overall cultural, sporting and entertainment offer.**

### Analysis

**2.37** London has a global reputation for its rich and diverse cultural offer. Its thriving artistic and cultural life makes the capital a vibrant and exciting place to live, work and enjoy. London's creative industries, such as architecture, advertising, publishing and leisure software, are at the global forefront. London's cultural offer is a major factor attracting investors and highly skilled workers. The 2012 Games provides a major opportunity to further enhance London's cultural vibrancy and attractiveness.

### What the Mayor will do

**2.38** The Mayor's "Cultural Metropolis" report acknowledges the vital role that culture plays in people's quality of life and the economy. It sets out the Mayor's intention to maintain the capital's status as one of great world cities for culture and creativity, recognising the promotion and business London's cultural and creative festivals (such as London Fashion Week, Frieze Art, London Design Festival, and London Film Festival) can generate. It also addresses the need to increase the provision of arts and culture facilities in Outer London. The London Plan designates Strategic Cultural Areas, which comprise West End/Soho/Covent Garden, the South Bank/Bankside, the Barbican, Wembley, Greenwich Riverside, and the South Kensington

museums complex. The Mayor will support the night time economy, which contributes to London's world city role and provides a key service for many of London's residents, visitors and workers.

with local businesses to tackle crime and safeguard themselves. His priorities include combating violence against women and serious youth violence.

## Proposal 2J

**The Mayor will work with the Metropolitan Police, boroughs and other partners to increase safety, drive down crime and particularly to counter business crime in the capital.**

## Analysis

**2.39** International comparisons suggest that the UK and London residents suffer from relatively higher levels of crime than some large cities in Europe<sup>47</sup>. Businesses have expressed their concerns regarding business crime<sup>48</sup>. However, there has been significant progress in making London a safer environment for people to live and work. For example, the incidence of burglary is at a thirty year low and vehicle crime is at an historic low. The homicide rate is four times higher in New York than in London<sup>49</sup>.

## What the Mayor will do

**2.40** The Mayor, Metropolitan Police and London Fire Brigade will continue to take measures to increase safety, reduce crime, counter fraud and business and cyber crime, and raise the awareness of risks to businesses and employees. The Mayor has been enthused by initiatives such as London Citizens' CitySafe, through which communities are coming together

## 3. Transforming to a low carbon economy

**Objective 3: to drive London's transition to a low carbon economy and to maximise the economic opportunities this will create.**

**3.1** Climate change is a result of one of the world's greatest market failures, and action is urgently required at a global level to avoid catastrophic climate change. Future development must be based on a low carbon economy, powered by low or zero carbon energy. Low carbon will be integral to London's whole economy and a global market.

**3.2** Lord Stern's Review (2006) argued that climate change was not only a major threat to the world's environment, but also to the global economy. Global temperature rises of up to five or six degrees Celsius could wipe out between five to 10 per cent of global Gross Domestic Product (GDP) during the next century<sup>50</sup>. The Intergovernmental Panel on Climate Change Fourth Assessment Report (2007) showed that there is now scientific consensus, over 130 countries, that human activities are causing global warming.

**3.3** It is hoped that the United Nations' COP15 Meeting in Copenhagen in December 2009 will agree a new international deal to combat climate change, as the existing global agreement (the Kyoto Protocol) will expire in 2012. The European Union has already agreed carbon emission targets for member states, which will be tightened if a global agreement can be reached on greenhouse gas emission reductions.

**3.4** In 2008, the UK government passed the Climate Change Act, which sets legally binding carbon budgets for the UK in order to drive its reduction of greenhouse gas emissions. The 'UK Low Carbon Transition Plan' is the national strategy for climate and energy. There are a number of supporting strategies, including the Low Carbon Industrial and the Renewable Energy Strategies, which will help shape the low carbon economy and London's transition to it.

**3.5** A vast amount of long-term investment will be needed to achieve national and international carbon emissions targets. For example, the International Energy Agency estimates that around 550 billion US dollars needs to be invested in renewable energy and energy efficiency each year between now and 2030<sup>51</sup>. There is an enormous and rapidly growing economic opportunity associated with the accelerating transition to the low carbon economy.

**3.6** This transition is subject to immense, rapid and often unpredictable change. For example, over the course of the consultation period on the EDS, the Copenhagen meeting could produce major developments in international policy. The Mayor is especially eager to use the consultation on this draft Strategy to further develop his policies and proposals.

**3.7** There are two main strands underlying this objective:

- developing the expertise and capacity of businesses and technologies to assist

adaptation to and mitigation of climate change, for the benefit of London, the UK and the world, which will also provide economic opportunities and new jobs for London's businesses

- taking measures to reduce London's carbon emissions and ensure it is adapted to cope with the impacts of climate change

### Proposal 3A

**The Mayor will lead by example and will work with partners to ensure that London realises the great economic opportunities associated with the move to a low carbon economy.**

### Analysis

**3.8** The transition to a low carbon economy will create major business and economic opportunities for London, which is in a good position to develop world-leading low carbon industries, enabling it to take a far greater share of this expanding global market. Assuming London can win a proportionate amount of world market share in the low carbon economy, this would represent an annual opportunity of £3.7 billion<sup>52</sup>.

**3.9** London has a wealth of established expertise in finance, trading, legal services, a range of clean technologies and academic research. London is currently the global market leader in carbon permit trading, with over 80 per cent of all carbon market brokering firms. London banks have £19 billion invested in

global renewable projects<sup>53</sup>. The city is home to 75 AIM listed clean-technology firms and to over 90 per cent of the UK's venture capital funds<sup>54</sup>, which back clean-technology firms. Many leading international environmental consulting firms are already based in London and a number of homegrown consultancies are expanding internationally.

**3.10** London also has a powerful advantage simply because of the scale of its activities. For example, projects such as the retrofitting of buildings and the development of electrical vehicles will offer huge opportunities in a market as large as that of London and its hinterland.

**3.11** However, there are serious risks that London could lose some of its competitive advantages. Many other countries and cities are developing and investing in major strategies to develop leadership of the low carbon economy. Singapore is offering up to 20 per cent supporting funding for capital investment in low carbon economy projects. President Obama's Reinvestment and Recovery Act provides almost 70 billion US dollars in funding and tax benefits for energy-related investments. China is subsidising hybrid cars. Japan is developing an emissions trading scheme.

**3.12** Some of London's low carbon economy activities are potentially mobile: its position could be undermined, if there is not a vigorous approach to the low carbon economy opportunities. London must rapidly position itself to take advantage of global developments to match the efforts of competitors, but also must exploit the potential for international

collaboration and for learning from best international practice.

### **What the Mayor will do**

**3.13** The Mayor is fully committed to cutting carbon emissions in London by 60 per cent by 2025. He believes that London must vigorously seize the economic opportunities created by the transition to the low carbon economy. He will lead by example. He will establish a Low Carbon Taskforce to ensure that maximum value is achieved for London and the UK and to ensure that London keeps ahead of international competition.

**3.14** The Mayor wants to play to London's strengths. He wishes to see initiatives, which take full advantage of the size of its market. For example, it is estimated that 70 per cent of the housing stock would benefit from the retrofitting of energy-saving measures. The Mayor is working with London Councils, London Futures and the LDA on the Homes Energy Efficiency Programme (HEEP). This is an innovative initiative that will establish a framework and a model in London that can deliver a pan-London area-based energy efficiency scheme for households. The focus of the programme until 2015 will be on engaging householders, providing energy advice and installing easy measures, and insulating lofts and cavity walls. However, given the number of solid walls in London, initial work to develop the market will be funded through HEEP and other programmes.

**3.15** In addition, the Buildings Energy Efficiency Programme (BEEP) for public buildings and the Better Buildings Partnership (BBP) for commercial buildings – which includes TfL – are encouraging and subsidising the introduction of energy efficiency measures across London's non-domestic building stock.

**3.16** The Mayor will support London businesses to deliver these programmes. Through the BEEP, decentralised energy activities, and the BBP, the Mayor will continue to stimulate the market for the growth in Energy Service Companies (ESCOs). These organisations provide a broad range of energy solutions including design and implementation of energy savings projects, energy conservation, energy infrastructure outsourcing, power generation and energy supply, and risk management. They will be key in delivering the knowledge and financing capacity to ensure that the non-domestic sector implements energy efficiency measures.

**3.17** Another strength, which the Mayor wants to exploit, is London's combination of a powerful financial centre with easy access to capital, and a global centre for research and development with very high levels of investment in new technology. The Mayor believes that the role of the public sector is to catalyse the market and to demonstrate and develop new business and financial models. The members of the GLA Group<sup>1</sup> will help to drive demand for good environmental management and practices through the implementation of their Responsible Procurement Strategy, and will set clear carbon targets in their procurement and investment programmes. The GLA Group will

showcase good practice by continuing to adopt energy saving and greening measures in and around its many office and operational premises – it has a fleet of 8,000 vehicles and about 900 buildings, offering substantial opportunities to demonstrate innovative business models.

**3.18** Mainstream programmes will include targeting of green sectors, for example, London's European Regional Development Fund Programme, which helps a number of environmental business support projects, and the LDA's business support and regeneration activities. The LDA will promote resource efficiency, influence public procurement practices, support research and development, and use its land to spur the development of green enterprise districts, business networks/ clusters and incubator units.

### Proposal 3B

**The Mayor will work with partners and lobby government to develop the scale of investment and environmental infrastructure needed to support a low carbon London.**

**3.19** Meeting low carbon targets will require considerable investments, with global estimates ranging from £122 billion to £368 billion annually by 2030<sup>55</sup>. Investment in the low carbon economy will have to be very substantial, but will generate new economic activities and will be potentially commercially viable, with good levels of pay-back. As noted above, a recent LDA study suggested that if London took a share of this market in line with its one

per cent share of global GDP, this would lead to £3.7 billion annually of business opportunities<sup>56</sup>. Large-scale investment and a policy, regulatory and fiscal framework are needed to stimulate the demand and supply sides of a low carbon economy and related supply chains. The GLA Group cannot deliver all of this investment and this framework in isolation: partnership with Government and local authorities is vital.

**3.20** The transition to a low carbon economy will create a demand for a wide range of low carbon solutions, from energy supply to retrofitting buildings to development of new engineering technologies. A low carbon economy needs to attach real market value to high environmental performance and so stimulate market demand for low carbon products, processes and services. It also needs significant investment in a comprehensive, low carbon infrastructure network.

**3.21** There are key areas of infrastructure and practice that can make a significant contribution to the low carbon economy by enabling the city to operate in a more carbon efficient way. In addition to greatly improving energy efficiency, London has to generate more of its own heat and power needs through efficient low carbon and renewable energy technologies. This should focus on developing decentralised energy capacity, and specifically on district heating networks supplied by localised low carbon and renewable energy heat and power systems.



## What the Mayor will do

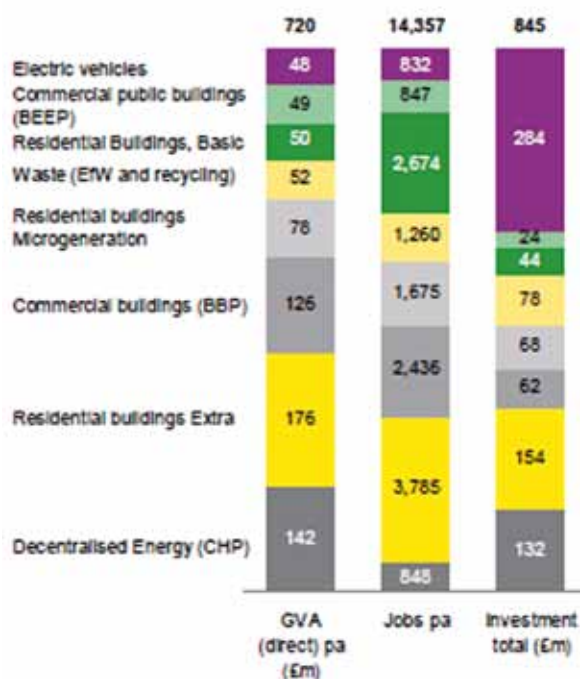
**3.22** The Mayor wants to promote London as a leading global centre for low carbon trade and finance. He will lobby for changes in national policy to help provide the competitive advantages needed to maintain its leading role. The report “Prospectus for London: the low carbon capital” identified access to finance and a competitive tax regime as the two most important competitive elements. The Mayor would like to see carefully targeted tax breaks for green industries and incentives and stimulus packages for low carbon investment. He will give broader political leadership to help attract investment and encourage joint international climate change projects. In 2008, he became honorary Deputy Chair of the C40 group (an international group of the largest cities committed to tackling climate change), which provides the opportunity to exchange ideas and combine forces.

**3.23** The Mayor will encourage the scaling up of investment in the low carbon economy. He wants to see the creation of financing structures that are self-sustaining and that can lever in private sector funding. He is delivering unprecedented levels of funding towards climate change programmes (over £100 million over three years). The Mayor will work with the GLA Group, boroughs and other partners to further develop these programmes. For example, he is considering the establishment of the London Green Fund. This would be a revolving fund making commercial investments, mainly in the form of equity, initially in retrofitting programmes, and then in decentralised

energy, waste and transport projects. The fund would support the Building Energy Efficiency Programme to create a commercial model to deliver a cost neutral means for the public sector to upgrade buildings with energy efficient measures. Over time, the scope of the fund could broaden to include commercial investment in other sectors that are addressing climate change, but continue to suffer from market failure. GLA and the LDA could contribute initially to the fund but it would need to attract considerable investment from both the private and public sectors as it evolves.

### The Mayor's proposed carbon mitigation programme: Summary figures for most likely scenario

Source: Ernst & Young, London Development Agency, GLA  
Notes: 'Most likely' Scenario is: Medium for Waste, Decentralised Energy, Commercial Buildings BEEP, Commercial Buildings BBP, Residential Buildings Microgeneration and Electric Vehicles and Low for Residential Buildings Extra and High for Residential Buildings Basic



**3.24** The London Plan sets a target of 25 per cent of London's energy to be supplied by decentralised energy by 2025. This will provide a market opportunity in London. The 'Prospectus for London, the Low Carbon Capital' report<sup>57</sup> has estimated that it would require investment of £132 million per year to deliver this target, but that this would generate £142 million of direct GVA and over 800 jobs per year.

**3.25** The Mayor's aim is to develop London's decentralised energy generation capacity, linked into a number of cost-effective district heating networks offering lower carbon and lower cost energy, as well as helping enhance energy security of supply. The LDA is investing in a decentralised energy programme and it is looking to work with partners and stakeholders to help London meet the 2025 target. It aims to demonstrate the commercial and technical viability of these schemes by delivering a number of decentralised energy projects, for example, the London Thames Gateway Heat Network. It also intends to deliver a pan-London energy masterplanning programme to support London boroughs, seeking to encourage investment in and development of the sector in London. More details on these initiatives will be included in the Climate Change Mitigation and Energy Strategy.

**3.26** The Mayor's Transport Strategy contains many detailed proposals to invest in low carbon economy solutions and to reduce energy consumption related to travel. These include limiting the need to travel by car, promoting electric vehicles, and reducing the carbon

impacts of freight movements. The Mayor wants London to be the electric car capital of Europe: he believes there is a real opportunity for London to become an early market maker for UK regions which have electric vehicle manufacturing expertise and capability, in the same sort of way as TfL acting as an early market maker for hybrid buses and a low carbon taxi programme.

**3.27** The LDA and London Waste and Recycling Board (LWRB) have launched the £100 million Joint European Support for Sustainable Investment in City Areas (JESSICA) instrument in partnership with the European Investment Bank, match-funded by the European Regional Development Fund. It will make repayable loan and equity investments in decentralised energy and waste management infrastructure projects to improve the sustainability of London's urban development and regeneration, and support small business. The Mayor has set up the London Waste and Recycling Board to work with the LDA, London boroughs, businesses, and householders to increase the diversion of waste from landfill by developing appropriate physical infrastructure, including processing, reprocessing and Advanced Thermal Technology 'waste to energy' plants, to improve waste management in London. It is planned that this will be funded by the LDA and central government.

**3.28** London is likely to become more water stressed in the future as its population and demand for water increases, whilst the UK Climate Projections suggest an increase in summer temperatures and a reduction in

rainfall. This issue is being addressed through the Mayor's Water Strategy. The Mayor will work with the Water Utility Companies, Environment Agency and other stakeholders to manage London's water resources and ensure Londoners have a secure water supply system and sufficient waste-water treatment facilities. He supports the introduction of smart metering.

### **Proposal 3C**

**The Mayor will encourage business to participate in exemplary projects to cut carbon such as the creation of a showcase Green Enterprise District and of Low Carbon Zones.**

#### **Analysis**

**3.29** Efforts to promote the low carbon economy have been largely piecemeal. "Prospectus for London: the low carbon capital" identified the need for greater consistency across low carbon public sector organisations. As a global financial and business centre, London has enormous potential for exemplary projects.

#### **What the Mayor will do**

**3.30** The LDA and partners will work to designate a Green Enterprise District in east London, within which a series of projects can be undertaken and "clean-tech" uses can be supported. These measures will accumulatively demonstrate how green business can be an integral part of modern society and how greater collaboration can be beneficial in this effort.

**3.31** The Mayor is committed to supporting the development of up to 10 Low Carbon Zones, which will bring business together with the public sector and the community to generate carbon savings and encourage further change by demonstrating what can be achieved.

### **Proposal 3D**

**The Mayor will work with partners to ensure London's workforce has the right skills so businesses fully realise the employment opportunities from the global move to a low carbon economy.**

#### **Analysis**

**3.32** Existing low carbon economy skills range from research and development, engineering and design, to installation, maintenance and monitoring of resource-efficient technologies. Many London companies are already responding to the emerging opportunities themselves, and do not require public support. However, research suggests<sup>58</sup> that there are likely to be skills shortages in some sectors and, without intervention, London may lack some of the necessary skills. Many of the skills required for the transition to a low-carbon economy will not be new and may often be additional skill-sets to those which people already possess and require up-skilling or some additional short-course technical training. London has a strong higher education pedigree to build upon. There are 80 departments at 17 London universities focusing on climate change research, many of them world-renowned<sup>59</sup>. There are already a number of bodies supporting clean technologies like

the London Technology Network, which brokers business and research institutions with a focus upon environmental technologies and low carbon advanced materials.

### What the Mayor will do

**3.33** The LDA proposes to work with partners like the London Skills and Employment Board, higher education and further education colleges, Sector Skills Councils, and employers to ensure that the skills needs of London's low-carbon economy are met, and that all Londoners are able to access the jobs and skills opportunities associated with it. The London Skills and Employment Observatory, to be launched in January 2010, will be a key partner in identifying low carbon skills gaps. The LDA is currently developing a proposal for a virtual Retrofit Academy to ensure an adequate supply of skills for this rapidly growing market by examining the key regional, national and international evidence on skills needs and best practice. Findings will inform a business model that is 'fit for purpose', deliverable and cost effective.

**3.34** The LDA will support the creation of jobs, train and provide Londoners with skills to deliver the Mayor's carbon reduction programmes through its low-carbon infrastructure investments. The LDA will continue to look for ways to bring training, skills and job opportunities into all future low carbon investments. It will also encourage the London Waste and Recycling Board to consider training and skills opportunities within its investment decisions. The LDA will work with London

Councils and other public bodies to support skills development which directly contribute to London's low carbon infrastructure, such as energy master planning and decentralised energy. There will be a particular focus on working with employers to ensure that low carbon economy training and employment opportunities remain accessible to long-term workless, graduates and disadvantaged groups.

### Proposal 3E

**The Mayor will create a policy framework to address climate change and will work with private, public and voluntary sector partners to improve their environmental performance.**

### Analysis

**3.35** The transition to a low carbon economy needs a strategic planning framework, addressing its long-term spatial, transport, environmental, and economic dimensions, and providing guidance for business.

**3.36** London's private and public businesses consume large amounts of energy and other natural resources in the course of their operations; usually these are not consumed in the most efficient way. These resources all have a financial cost to the business: if they are not being used efficiently, then businesses will be wasting money. They need to better understand the full carbon impact of their business practices and their delivery of products and services; they also need to be more carbon efficient in relation to their use of their buildings.

## What the Mayor will do

**3.37** The London Plan and Mayor's Transport Strategy contain a substantial set of policies and proposals to tackle climate change. The Mayor's Climate Change Mitigation and Energy Strategy will be published in late 2009. The Mayor will continue to help the domestic, non-domestic and transport sectors to reduce carbon emissions through a suite of programmes, including the projects described above: HEEP, BBP, BEEP and the decentralised energy network.

**3.38** The Mayor will help to raise awareness of mitigation and adaptation measures for business. He will encourage all businesses to fully incorporate the transition to low carbon in their investment decisions. For example, he will encourage them to consider whether a proposal reduces carbon and creates opportunities in the low carbon economy or can be linked to other low carbon initiatives. London's European Regional Development Fund Programme is supporting a number of environmental business projects.

**3.39** The Mayor will publish advice to ensure buildings are designed for the hotter summers to come and offer practical measures to reduce water consumption in new developments. The Green500 programme offers energy audits and practical support for larger organisations in London showing them how to implement energy saving measures and reduce the carbon intensity of their operations. The LDA will explore opportunities to help SMEs to develop business continuity and risk management plans, which

ensure they are aware of and adapted to climate change.

**3.40** The Mayor will use his planning powers to ensure that new development contributes towards achieving his low carbon target and will encourage boroughs to accelerate their consideration of low carbon projects. The Mayor will work with the policing and fire authorities to support their efforts to reduce emissions.

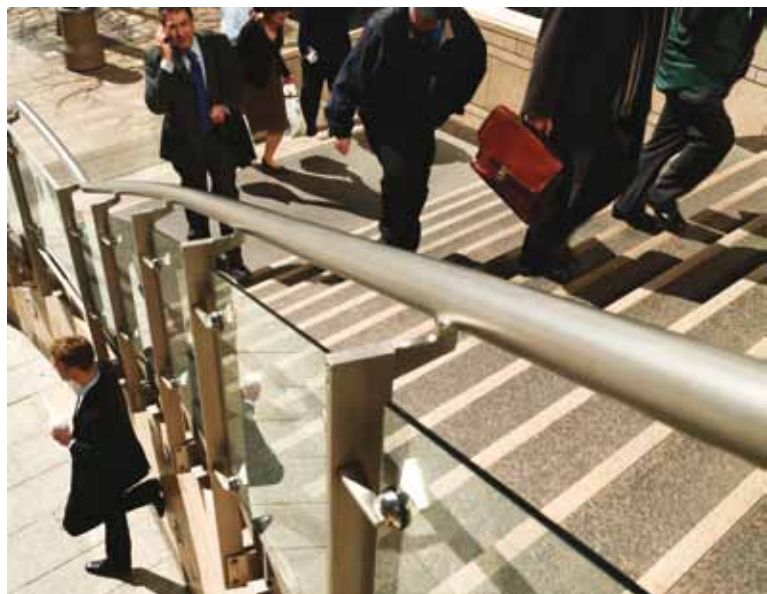


## 4. Extending opportunity to all Londoners

**Objective 4: To give all Londoners the opportunity to take part in London's economic success, access sustainable employment and progress in their careers.**

**4.1** London's long-term prosperity depends on making the most of the talents of all Londoners. Too many Londoners are not sharing in the overall prosperity of the city and do not have the opportunity to contribute to it. The life chances of a child born today remain far too dependent on where they are born and their parents' background, rather than their talents and abilities, and this link has strengthened in recent decades<sup>60</sup>. As a result London's economic prosperity is constrained, businesses lack the range of skills they need in the workforce and many Londoners are unable to reach their full potential both in economic terms and more widely. Global economic change means that increasing skills and human capital are becoming ever more important for economic growth and business success. The Mayor's recent *Equal Life Chances for All* framework<sup>61</sup> sets out his overall approach to promoting equality and to tackling barriers to achieving this. He wants a London where everyone can play a full part, not one divided between the haves and have-nots.

**4.2** The Mayor wants to ensure effective support for people at all stages of their life – from early years to adulthood – driving improvements in social mobility and equality of life chances by providing a hand up when people need it and helping people to help themselves. The Mayor's Proposals below form



part of an overall drive to improve life quality, along with the proposals around health, safety, environment and culture set out under Objective 2.

### A good start in life

#### Proposal 4A

**The Mayor will work with partners to help ensure that all children in London get a good start in life, and encourage relevant agencies to work towards the government's target to end child poverty being achieved in London by 2020.**

#### Analysis

**4.3** All children in London deserve a good start in life. While child poverty has fallen nationally, it remains far too high, and has fallen little in London. Today, 44 per cent of children in inner



London grow up in poverty<sup>62</sup>. They are far less likely to do well at school, to go on to gain higher-level skills, and to find a job and progress at work<sup>63</sup>. Low incomes in childhood have an important impact on children's future prospects, and therefore the nature and quality of London's future workforce. A range of evidence, nationally and internationally, points to the importance of giving children the best start in life through prolonged and sustained early interventions. Today's children under the age of five will be entering the workforce from 2023, and giving them a good start in life is essential to London's economic future.

**4.4** There is a cycle of low achievement, limited ambition and poor educational outcomes among some groups and in some areas that must be broken. In too many families this extends through generations.

**4.5** Many of London's parents, especially lone parents, are relatively disadvantaged in the labour market. Worklessness, low skills and low earnings, combined with high housing and childcare costs, are all factors in London's high rates of child poverty<sup>64</sup>. Removing the barriers to work faced by parents and improving career progression and skills development is therefore key to this objective.

### **What the Mayor will do**

**4.6** The Mayor is a signatory to the London Child Poverty Pledge. He will work with partners through the London Child Poverty Commission to lobby Government for more support to address the causes and effects of child poverty

and ensure that London's agencies develop packages of support that enable parents to lift themselves and their children out of poverty. The LDA Childcare Affordability programme is one example of such activity, supporting parents to access work. The Mayor's leadership of the London Debt Summit group is another key element of his approach.

### **Proposal 4B**

**The Mayor will work with partners to ensure that all young people in London have appropriate opportunities to gain the knowledge, skills and confidence to succeed in London's labour market.**

### **Analysis**

**4.7** A good foundation of school qualifications and vocational skills is increasingly essential for young people's employment prospects. Young people with good basic skills are far more likely to go on to gain higher-level skills<sup>65</sup>. Despite significant improvements in recent years, only half of young people in London gain five GCSEs at grades A\*-C, including English and Maths. This proportion is above the national average, but not enough given the requirements of the London economy<sup>66</sup> which places a premium on high skills.

**4.8** Global change will increasingly demand higher-level skills. The "London Story" suggests that one in two jobs will need high skills by 2020<sup>67</sup>. Although London's high skills base is already strong, it requires continuous improvement to ensure London's competitiveness. Today, London has a more



highly skilled workforce than the rest of the UK, but still falls short of meeting the “London Story” projected requirement.

**4.9** A significant part of London’s demand for highly skilled workers is met by non-Londoners from the UK and overseas<sup>68</sup>. This ability to attract the top talent from all over the world is a key element of London’s global competitiveness. However, this means that young Londoners will enter a highly competitive labour market. This is especially important for those who come from a background that may not have traditionally valued skills and professional development. A young person’s chance of going to university is highly dependent on their background and family income. Young people from the highest income families are 13 times more likely to go to university than young people from the lowest income families<sup>69</sup>.

### **What the Mayor will do**

**4.10** The Mayor wants to work with everyone involved in education to give young people real opportunities in the London economy and provide employers with the workforce needed for success. An example of this approach is the children’s life chances strand of the London Child Poverty Commission. He will work with boroughs and others to support particularly vulnerable groups, including refugee and asylum seeker children, children in care and care leavers.

**4.11** Local Authorities will, from September 2010, have full responsibility for education, information, advice and guidance services up to the age of 19, with funding coming

from the Department for Children, Schools and Families (DCSF). Local Authorities are well placed to co-ordinate services for young people in their boroughs. Pan-London co-ordination will be needed to ensure that young people are equipped to make the best choice regarding future education, training and career development.

**4.12** The Mayor will work closely with the boroughs and with schools to ensure that educational attainment is aligned with the needs of London’s labour market. He will support the strategic co-ordination work of the Regional Planning Group for the delivery of 14 to 19 year old education, information, advice and guidance across London. The best performance in London should become the benchmark for all parts of the city and young Londoners should receive high quality services, for example, the pan-London, ‘Achieving Excellence’ initiative in Career Education, Advice and Guidance (CEIAG).

**4.13** Through the LDA, the Mayor is supporting the development of up to ten School Academies in London. These will develop innovative approaches to promoting academic excellence, vocational opportunities, job readiness, independence, and responsibility in young Londoners.

**4.14** The Mayor will promote targeted initiatives to turn around the lives of youngsters, who have ended up engaged in anti-social and criminal behaviour, by building their skills and confidence and getting them into employment. Through his ‘Time for Action’ programme, the Mayor is supporting work on Project Titan,

which enables the rollout of YOU London, the partnership of uniformed and non-uniformed youth organisations. The Mayor's Young Londoners' Fund, run by the LDA, has a focus on helping young people learn new skills, for example, through voluntary and community sector projects on film-making and encouraging young people to design and run their own sports projects. The Mayor will assist 16 to 18 year olds not in education, employment or training (NEET), through work with the London Learning and Skills Council (LSC) and boroughs, and through the European Social Fund (ESF) Co-financing Youth Programme of the LDA, for which young people who are NEET or at risk of being NEET are a priority.

**4.15** The Mayor strongly supports volunteering, which, in particular, helps young people to develop their skills, find out more about their local community, build new networks and widen their horizons. Volunteering is a fantastic way of promoting aspiration, social skills, work readiness, and a positive role in society. Whilst volunteering amongst young people in London is on an upward trend, there remains the potential to do much more.

### Encouraging high rates of employment

#### Proposal 4C

**The Mayor will work with partners, particularly through the London Skills and Employment Board, to raise London's employment rate, and to reduce the employment rate gap for disadvantaged groups, by removing barriers and**

**disincentives to work, and providing more personalised and joined-up services to help people into employment and career progression.**

#### Analysis

**4.16** Over 30 per cent of working age Londoners are not employed. In addition, 600,000 working age Londoners have no qualifications at all<sup>70</sup>. London's labour market performance, measured by the employment rate, is one of the worst in the UK. This has an impact on the capital's crime levels, health outcomes and poverty as well as reducing its economic inefficiencies.

**4.17** There are three broad reasons for London's high levels of worklessness. The first is that London has more people from groups often disadvantaged in the labour market, such as lone parents and those with health problems and disabilities. The second is that people in these groups tend to have higher rates of worklessness in London than elsewhere. The third is the influence of various London specific factors, such as the high cost of living, which can make the incentive to find and stay in work less than in other parts of the country.

**4.18** Addressing low levels of skills, confidence and work readiness must take into account the wider barriers that are frequently faced by individuals. The welfare system has traditionally provided more of a 'one size fits all' approach. Efforts to support unemployed Londoners to remain in and progress at work have been hampered by an incentive system

that has traditionally focused only on job entry, not retention. For those with multiple disadvantages, a personalised approach, tailored to individual circumstances is proven to work better.

**4.19** Welfare to Work programmes have tended to be less successful in London than nationally. For example, the Department for Work and Pensions (DWP) New Deal for Lone Parents (NDLP) has been successful in increasing employment nationally, but has had less success in London. Particular barriers, such as the lack of affordable childcare or lack of functional literacy and numeracy skills, hinder many individuals from full participation.

**4.20** London's population is projected to grow by around 1.3 million by 2031<sup>71</sup>. It is projected that the majority of the increase in the working age population will come from women and from Black, Asian and minority ethnic (BAME) people<sup>72</sup>, many of whom are currently most disadvantaged in the labour market. In spite of these disadvantages, it is likely that these groups will comprise a growing proportion of London's workforce. London has a relatively lower percentage of part time jobs<sup>73</sup>, which often help women in particular to combine work with family life. Many find childcare is unaffordable or inflexible. There is an urgent need to tackle the root causes of London's high levels of worklessness and support people into sustained employment with progression prospects.

**4.21** London's employment challenges are influenced by the wider benefits system. For example, housing benefit (and concerns about

losing access to it) mean that for many on benefit, there is little financial incentive to take up employment available to them. Whilst progress has been made on making work pay through the introduction of tax credits and the National Minimum Wage (NMW), such measures have been less effective in London where the cost of living is higher than other regions. The Mayor continues to promote the London Living Wage as a better standard of the wage needed, but believes that more radical measures to reform the benefits system will be necessary to address London's long standing worklessness.

### What the Mayor will do

**4.22** The Mayor will seek as much flexibility as possible in London in the design and delivery of welfare to work support, which is largely the responsibility of national government, so that it is better focused on addressing the capital's specific needs. He will promote a combination of stronger incentives, improved opportunities and more relevant targeted support to help people get into work and to progress. He will look to ensure a focus not just on getting people a job, but also helping people stay in work and progress. The Mayor will encourage innovation in delivery of employment support such as exploring new financing agreements where savings from moving people from welfare into work can be recycled to fund more such work. Given there are localised high concentrations of worklessness across London, it also seems appropriate to ensure a particular focus on delivering more integrated and effective approaches are delivered in these neighbourhoods.

**4.23** The Mayor recognises the important role of voluntary sector organisations, which have unrivalled reach into many of the groups that need support.

**4.24** The Mayor chairs the employer-led London Skills and Employment Board (LSEB), which has been established specifically to set the strategy for public sector investment in adult skills and employment programmes in London. It works with employers to help them provide more sustainable jobs, skills and progression opportunities for Londoners to the benefit of their business and the London economy<sup>69</sup> as a whole. The Mayor appoints the Board and will work with it to improve skills and employment services and reduce bureaucracy.

**4.25** The LSEB produced “London’s Future, the Skills and Employment Strategy for London 2008–13” in June 2008. The Strategy sets a framework for action for employers, public sector agencies and other partners focused around a common set of objectives and targets. Whilst the Strategy is currently being reviewed and updated, the Board considers its thrust remains valid. However, the updated Strategy will include updated medium term targets for improving London’s employment rate. The Mayor supports the LSEB’s level of ambition in increasing London’s employment rate and bringing it more into line with that of the rest of the country, and in significantly reducing the shortfall in employment rates for disadvantaged groups compared to the London average.

**4.26** The LSEB has strategic direction of the Learning and Skills Council’s adult skills budget

and is accountable to the Secretary of State for developing and keeping a strategy for employment and skills under review. The LSEB has achieved real progress on joint working and enabled greater collaboration between the relevant delivery agencies (LSC, LDA, Jobcentre Plus) and, increasingly, is also working with London boroughs.

**4.27** Around £1 billion of public funding is invested in employment and skills in London each year. Investment has too often been divided into silos and focused on processes not outcomes. For example, DWP provision was previously focused on job entry, but not job retention or progression. The result is that two out of every three Jobseeker’s Allowance (JSA) claims are repeat claims from people trapped in ‘revolving door’ employment<sup>74</sup>.

**4.28** The LSC focuses most of its provision on qualification attainment, rather than whether this helps people find work or progress at work. This disparity in objectives and incentives has long been recognised as a barrier to the employment and skills system maximising effectiveness. For example, the Leitch Review<sup>75</sup> recommendation (which the Government accepted) was that all employment and skills services should be judged on whether they deliver sustained employment and progression for their customers.

**4.29** The Mayor wants to encourage public agencies to focus primarily on the achievement of sustained employment outcomes for their customers – measuring this, publishing their success and making this the primary financial incentive in their provision. He sees collaboration

with employers through the LSEB and other agencies as essential to this approach. He supports further powers for the LSEB to oversee skills and employment services in London.

**4.30** The LSEB is promoting the alignment of services in London with a stronger focus on outcomes. The LDA now commissions provision focused on achieving sustained employment outcomes, rather than processes or methods. The DWP contracts its providers to achieve employment sustained for six months (though Jobcentre Plus currently remains focused on job entry outcomes), and the LSC's Skills for Jobs programme also focuses on sustained employment. It is essential that skills and employment provision meets the needs of employers, including the jobs and skills needs of the transition to a low carbon economy.

**4.31** Government is currently putting into place substantial reforms to national skills and employment services. The LSC will be replaced by a national Skills Funding Agency (incorporating the new National Apprenticeship Service) and a national Adult Advancement and Careers Service (AACCS) will be established. These changes offer the opportunity to further influence provision in London, but also risk introducing new complexity and diverting effort away from the good progress that has been made to date.

**4.32** The Mayor strongly believes that reforms to national skills and employment services should further devolve accountability and oversight to the LSEB to ensure that services are adequately focused upon London's long-

term challenges. In particular, he believes efficiencies can be made and effectiveness improved by bringing together commissioning of employment programmes for London into a single outcome focused regional commissioner, accountable to the LSEB, and engaging with boroughs, employers and the third sector to ensure contracts deliver local innovation and appropriately reflect local needs across London. Given the squeeze on public sector finances and the need to improve value for money, public sector agencies must ensure that delivery on the ground is joined up, providing a seamless 'customer journey'.

## **Proposal 4D**

**The Mayor will work with the LSEB and other partners to significantly improve training and employability support so as to help people secure and retain a job with a particular focus on neighbourhoods with high concentrations of worklessness.**

## **Analysis**

**4.33** Although skills and qualifications form only part of an individual's 'employability', they are nonetheless crucial determinants of success in the labour market. Individuals with no qualifications are significantly more likely to be without work or earn low wages. Being literate and able to deal with numbers are basic building blocks for both finding work and participating in society. Yet shockingly, more than one in five Londoners lacks these skills, as basic as checking your change in a shop<sup>76</sup>.

**4.34** The Government aims to ensure that by 2020 more than 95 per cent of adults have functional literacy and numeracy skills. The Leitch Review estimated that this would require a quadrupling in current rates of attainment of basic skills. Yet a recent report from the UK Commission for Employment and Skills suggested that the UK was not on track to meet its target for world-class skills<sup>77</sup>. There is a real risk that investment in adult skills will not be prioritised at a time of constraints in the public finances and hence that the UK could fall further behind, ultimately leading to significantly higher costs to the public purse.

**4.35** The ability to speak English is crucial for participation in both society and the labour market. As a centre for international migration, London has a very high demand for English for Speakers of Other Languages (ESOL) courses and this forms a significant part of adult skills provision in London. Recent changes to national policy on ESOL have meant that LSC funded provision is focused more upon supporting employability, whilst local authorities are responsible for planning at the local level to ensure broader community ESOL priorities are also met.

**4.36** Acquisition of skills in the workplace is one of the best ways to improve employability and career prospects for individuals and provide businesses with a workforce that can drive productivity and profitability. The LSC's 'employer responsive' programmes – Train to Gain, Apprenticeships and Skills for Jobs – provide public funding to encourage businesses to undertake this. Apprenticeships are a

key focus, especially for young people. The relevant national agencies have an important responsibility in ensuring that there are resources to support an increasing number of apprenticeships in London. Employers also need to bring forward more apprenticeships. Broader workplace experience, including internships and work experience, is also an important part of boosting employability.

### What the Mayor will do

**4.37** The Mayor will press for the resources necessary to address London's basic skills challenges, and work with partners to ensure that these are effectively deployed to increase the employability of Londoners. Action on adult basic skills is too often a remedial strategy to make good the failure to acquire these basic skills at school. Through the London Child Poverty Commission, the Mayor, together with London Councils, has recommended that further dedicated resources be allocated to intensive work on literacy with pupils, especially those lacking the reading and writing skills expected at age 11.

**4.38** The Mayor believes that training must ultimately be driven by the needs of employers if improvements in skills are to deliver economic benefits to individuals and be relevant to the workplace. The LSEB strategy "London's Future" seeks to work with employers to provide more job and skill opportunities, to ensure that the skills and employment system works better for employers and to increase employers' investment in their workforce. The LSEB is seeking to increase apprenticeships in London

towards the Government target of getting one in five young people into apprenticeship by 2020. The Mayor, through the GLA Group, aims to provide 3,000 apprenticeships starts by 2012/13.

**4.39** The Mayor supports a demand-led system for employment and skills that meets the needs of employers, Londoners and the labour market as a whole. This must be accompanied by high quality advice linked to the labour market and quality standards if it is to work effectively, for example, to meet the needs of many disadvantaged groups who may not have the confidence to effectively express their requirements, and a continuing degree of commissioning is essential to ensure strategic needs are met. In a period of constrained budgets, demand management and smart incentives will become increasingly important to ensure the most effective and equitable use of resources.

**4.40** The Mayor and LSEB attach great importance to ensuring that new demand led systems work well in practice and will wish to use their strategic direction over adult skills budgets for London to ensure this is the case. The Mayor will continue to press for further devolution of funding powers to London to ensure that commissioning and delivery can be undertaken as cost effectively as possible.

**4.41** As the Olympics Delivery Authority and TfL have shown, much can be done to promote skills and employment through good procurement practices. The Mayor will use the very substantial procurement budgets of the GLA Group to help spread and embed good practice amongst their

contractors on skills and employment, and he would encourage other major employers to do the same. He will support efforts to maximise the potential for job and skill enhancement offered by events such as the 2012 Games and major projects such as Crossrail.

## **Proposal 4E**

**The Mayor will work with the LSEB and other partners to help meet the aspirations of Londoners to acquire relevant skills and qualifications to progress in their careers.**

### **Analysis**

**4.42** Job retention and career progression rates are too low, especially amongst low skilled workers<sup>78</sup>. Poor progression rates represent a waste of resources and human potential. Many workers may remain trapped in low skilled, low paid jobs, leading to high levels of in-work poverty and the ‘silting up’ of the flow of entry-level vacancies for other jobless Londoners. London has over three low skilled residents for every low skilled job<sup>79</sup>, significantly more than the national average. It also has fewer jobs in “average” pay sectors to facilitate progression and provide opportunities for those with mid level skills. Low pay represents a key contributor to high levels of poverty in London. Nationally, more than half of all children living in poverty have at least one parent in work, but on low pay<sup>80</sup>.

### **What the Mayor will do**

**4.43** The Mayor wants agencies to equip people to progress and fulfil their potential to



achieve higher earnings. The forthcoming Adult Advancement and Careers Service (AACS), which will be funded by the LSC, should play an important role. It must include a focus on progression and be an engine of social mobility. The Mayor wants to encourage those with skills to move up the jobs ladder, thereby releasing more opportunities for those with fewer skills. Londoners wanting to upgrade their skills levels must be enabled to do so. There will also be a need for “wider” skills as increasing demands are made on workers in terms of technical, communication and personal skills.

**4.44** Career progression should be better supported. London has a huge concentration of higher education institutions (HEIs), with the majority of their funding coming from the Department for Business, Innovation and Skills (BIS) via the Higher Education Funding Council for England (HEFCE), although students are increasingly contributing towards the costs of their education. The Learning and Skills Council (LSC) also funds colleges and other providers to deliver higher skills training.

**4.45** The Mayor values London’s world class university and further education sector and he recognises its immense importance in raising Londoners’, and the UK’s, skills levels. London’s higher and further education sectors should become an increasingly important learning resource for London businesses and for Londoners throughout their working lives.

**4.46** The Mayor believes that this drive to improve skills must be tightly linked to employers’ needs. In a dynamic economy such

as London’s, acquiring skills and qualifications needs to be matched by an ability to deploy them effectively to generate economic and commercial value. In an economy that places a premium upon innovation and creativity, there will be a particular need for entrepreneurial skills (see Proposal 2B).

**4.47** The necessary expansion of high skills attainment will need to be funded through a tri-partite partnership of Government, employers and individuals. Many employers already provide significant levels of training in high-level skills and clearly value the business benefits that this brings. The Mayor believes that the role of the public sector is to incentivise training and workforce development across all employers, especially smaller businesses, and to ensure that employees with lower levels of skills are able to develop these in the workplace. We need to ensure that employers and individuals value training and workforce development and take responsibility into their own hands.

## Proposal 4F

**The Mayor will work with the Homes and Communities Agency, boroughs and other partners to ensure there is sufficient and suitable housing to meet the needs of London’s growing population and workforce, and to address problems of homelessness and overcrowding.**

## Analysis

**4.48** Lack of access to affordable, appropriate and decent housing acts as a barrier to progress



for many Londoners. They experience poor quality and overcrowded housing, disconnected neighbourhoods and, particularly for public sector tenants, often a lack of mobility. Despite recent falls in prices, housing costs in London remain very high relative to typical incomes<sup>81</sup> Improving the supply of homes across all tenures is vital if London is going to achieve the economic ambitions set out in this Strategy. Provision of these homes is important for London's competitiveness, and also represents a key infrastructure project with significant direct and indirect employment implications, and opportunities for improving environmental efficiency. The London Plan concludes that 33,400 new homes are needed every year.

**4.49** There is a clear link between housing availability, and the ability and motivation of Londoners to take up work. London's high housing costs mean that for many workless or low earning Londoners in rented accommodation, housing benefit is of huge importance. However, this can act as a disincentive to accessing sustainable employment, as the level of benefit reduces significantly after individuals move into employment, and recipients also often have concerns that the effects of slow processing of any changes in employment status may cause them real financial difficulty. There is a need for national government to look further at how these London specific challenges can be addressed.

## What the Mayor will do

**4.50** The Mayor has set out policies to address long-term housing needs in the London Plan, and in his draft London Housing Strategy. He will use his investment powers and his position as chair of the Homes and Communities Agency London Board to determine and direct investment to meet the greatest needs. He will also work with private and public sector investors and developers and the London boroughs to help deliver the quality and quantity of homes required (see Objective 5). He will also ensure that this investment generates significant environmental and employment benefits for London.

**4.51** The Mayor will press government to reform and simplify the benefits system and ensure that incentives to find and stay in work in London are increased. He will press for the higher costs in London to be fully taken into account in housing benefits and childcare subsidies. He is keen to find innovative ways to address these issues, and believes there would be significant longer-term savings from making it easier for people in receipt of benefits to gain financially from taking up employment, and that this is a particularly significant issue in London. The Mayor will also promote innovative ways of linking benefits and employment services, building upon existing best practice, for example, initiatives in children's centres and with social housing providers.



# 5. Investing in London's future

**Objective 5: to maximise the benefits to London from investment to support growth and regeneration, and from the 2012 Olympic and Paralympic Games and its legacy.**

**5.1** Existing and emerging global cities are investing heavily in their future. Investment in London must be sustained if it is to consolidate its position as the business capital of the world, continue to profit the UK economy, address its ageing infrastructure, and accommodate population and economic growth. The projected increase of 1.3 million in London's population by 2031 will, for example, be a good deal larger than the current population of Birmingham. Accommodating this scale of growth will require enormous and sustained investments, which must be made in the most cost-effective manner and must promote sustainable forms of development.

**5.2** London's prosperity must be spread to parts that remain blighted by poor transport access, high crime, low employment and skills, insufficient or low quality housing, degraded environment, and uninspired urban design and architecture. The central and inner London economies performed well prior to the recession and the Mayor wants outer London, where job growth has not been as high, to make a greater contribution to London's economy and future growth.

**5.3** Investment in growth and regeneration is essential to achieve the other objectives of this Strategy: success as a global, productive, low carbon city which offers opportunity to all Londoners.



**5.4** London is currently witnessing perhaps the greatest scale of investment since the Victorian age. The largest programmes will total well over £40 billion over the next decade. They include Crossrail and other major transport schemes, housing and regeneration spend, the 2012 Olympic and Paralympic Games, the £2.5 billion redevelopment of the King's Cross area, public realm improvements, the building of the £2.5 billion Thames Tideway sewer, the renewal of the West End, and improvements being made to the capital's information and communications technology and energy and waste infrastructure. There are also large numbers of small investments across London that cumulatively will make a vast difference to the city's economic efficiency and to Londoners' quality of life. Nevertheless, London continues to develop, and a new generation of investments will be needed to sustain the capital through the period beyond the next decade.

**5.5** The successful development of economically advanced cities rests in significant part upon

the vision of their leaders and the judicious management of public funds. Public funding offers the opportunity to make strategic and long-term investment choices, which private sector investors are unable to undertake in the absence of market incentives, because of the risk due to the scale of the proposals, or their dependence on political factors. London's market size, density and diversity create unique opportunities to fashion new and innovative public investment packages, which make best use of scarce resources.

**5.6** The UK 2009 Budget projects that from 2010-11 public spending will grow at just 0.7 per cent compared to 3.3 per cent for the previous 10 years and that the level of public investment will halve to £22 billion in 2013-14<sup>82</sup>. The degree of public expenditure restraint this implies will make it all the more essential to manage public investment in a rigorous way.

**5.7** London's development as a "city of villages" has bequeathed it a diverse spread of economic activity across the city. There are strong economic connections between central, inner and outer London<sup>85</sup> and with the wider metropolitan area: the wealth generated in the centre is spent by workers there who live all over the south east; and businesses in one part of London depend on suppliers in another and London. As well as being a global city, London generates its own diverse and productive service and supply economy.

**5.8** The proposals below seek to maximise the value of investment by: enhancing London's

competitiveness; accommodating growth and supporting regeneration; making the city as attractive as possible for residents, workers, visitors, businesses and investors; improving the efficiency of its transport and other infrastructure; and adopting good economic investment and sustainable development principles.

### Proposal 5A

**The Mayor will work with partners to strengthen the economy across London including removing barriers to outer London fulfilling its potential, and to support the development of town centres in outer and inner London as hubs for their communities and local economies.**

### Analysis

**5.9** Forty-two per cent of London's jobs are located in outer London<sup>83</sup>, but the Mayor is concerned about its untapped potential and believes that there are opportunities for diversification of its economy.

**5.10** There is a ring of 11 Metropolitan centres spread around outer London. Though they tend to be overshadowed by central London, these are substantial employment centres in their own right. The largest centre, Croydon, has over 90,000 employees, and most of the rest have levels of employment similar to cities such as Ipswich.

**5.11** Outer London also has some other concentrations of jobs. Foremost of these is

Heathrow, with about 90,000 workers. Wembley offers a focus on leisure activities and Brent Cross is a powerful retail centre.

**5.12** After a long period of decline, inner London has grown substantially more in absolute and relative employment terms than outer London over the last two economic cycles, with projected increases to 2031 even greater than those expected for the central area. Like outer London, it is very varied in character and contains some of the most deprived neighbourhoods in the country, so it is important that its future growth benefits these areas.

### **What the Mayor will do**

**5.13** The Outer London Commission, appointed by the Mayor, suggested that more should be done to support the outer London economy. The Mayor will implement the Commission's recommendations<sup>84</sup>, including a "hub and spoke" approach in which surrounding areas can benefit from access to strong economic centres. The Mayor will also encourage investment in outer London in activities which have potential to exploit its lower costs, skilled labour force and relatively good communications. He believes, for example, that more central government and higher and further education activities could be located in outer London. The Mayor wants to see the leading centres in outer London evolve as even more effective hubs, readily accessible from surrounding areas by public transport. The London Plan proposes the designation of Strategic Outer London Development Centres.

**5.14** The Mayor believes that town centres should perform a core community and economic role in both outer and inner London. The London Plan identifies a wide range of town centres as key locations for a diverse range of activities, including retail, leisure and office space as well as housing, social infrastructure, public open space, and community facilities. They are also key nodes for closer land use and transport integration, enabling development at higher densities, encouraging walking, cycling and greater use of public transport and fostering a sense of community. The Mayor will encourage the continued designation of Business Improvement Districts (BIDs), which are effective vehicles for collaborative working, in town centres and elsewhere.

**5.15** One indication of the potential for expansion is the anticipated demand for 1.8 to 2.9 million square metres of comparison goods retail floorspace by 2031; half of this demand will be from outer London residents<sup>85</sup>. The Transport Strategy will support measures to improve access to town centres by making the fullest use of existing public transport and by selective local improvements. Orbital movement will be facilitated and bus services will continue to play a vital role in improving transport capacity and connectivity.

**5.16** There remains a manufacturing industry sector, much of which is found in outer London. Major industrial and logistics employment centres exist in Park Royal, the Upper Lea Valley and East Thames Corridor. The London Plan identifies Strategic Industrial Locations.

## Proposal 5B

**The Mayor will work with partners to ensure that investment sustains and increases central London's ability to be competitive, productive and innovative.**

### Analysis

**5.17** Central London is London's economic heart, accounting for approximately one-third of all jobs in London<sup>86</sup> and has the highest levels of productivity in the country. Costs are highest here, but the London Plan envisages a substantial increase in the availability of office space. It is by far the most accessible place in the city because of the radial nature of transport systems; about 90 per cent of workers commute by public transport<sup>87</sup>.

### What the Mayor will do

**5.18** The Mayor believes that the global role of central London must be supported and enhanced. The London Plan seeks to ensure sufficient capacity for appropriate forms of workspace, including offices, and to identify areas for expansion, including the city fringe. Through the Transport Strategy the Mayor will extend and maximise the use of radial public transport systems into the centre and also increase the capacity of the mainline and underground networks. Improvements to strategic interchanges around the edge of central London will also relieve pressure in the central area itself.

## Proposal 5C

**The Mayor and the LDA will work with the Olympic Park Legacy Company and other partners to fully seize the unique regeneration opportunity offered by the 2012 Olympic and Paralympic Games.**

### Analysis

**5.19** The Olympic Park and surrounding areas in the Lower Lea Valley, including Stratford, are London's top regeneration priority. The 2012 Olympic and Paralympic Games provide a strong foundation for the continued economic growth and regeneration of East London, in addition to benefits already being achieved in promoting volunteering, tourism and sport participation.

### What the Mayor will do

**5.20** The Mayor and the LDA will support the Olympic Park Legacy Company in the development of a legacy for the Olympic Park that delivers substantial economic, social and environmental improvements, helping to tackle the high deprivation levels in the Olympic host boroughs. The Mayor believes that all agencies need to continue to focus on delivering an ambitious legacy from the 2012 Games.

**5.21** The Legacy Masterplan Framework being created by the Olympic Park Legacy Company will reflect the Mayor's approach to planned regeneration, emphasising high quality design, meeting housing needs particularly for families, and being supported by high quality environmental and social infrastructure.

**5.22** The Legacy Masterplan should build on the investment of the Games, in particular the world-class sports venues, the Olympic Park and the International Broadcast Centre. These assets, complemented by further investment, and together with the mixed development opportunities at Stratford City, Canary Wharf and the Royal Docks, will support economic regeneration in East London.

### Proposal 5D

**The Mayor will work with boroughs, developers and other partners to identify capacity to accommodate large-scale employment and housing development, including in the London Plan Opportunity Areas, through the planning system, transport proposals and investment support.**

### Analysis

**5.23** London will need to accommodate very substantial growth in housing and employment. Although growth will occur throughout the city, often on small windfall sites, the London Plan identifies a set of Opportunity Areas suitable for larger scale housing and job growth. Many of these were formerly sites of industrial or dockland activities. In addition, the Plan designates Areas of Intensification where significant, but lesser scale, development could take place. The Mayor will work with boroughs, the HCA, private developers and other partners to realise the full potential of these areas. He will continue to support the production of planning and investment strategies for these

areas, which have already demonstrated their effectiveness by helping identify and optimise development capacity and setting out principles for sustainable development.

**5.24** Most of the Opportunity Areas and many town centres sit in “corridors” running out from central London through inner and outer London and beyond the city boundary. These account for an important part of the economic growth potential of both inner and outer London. There are five of these corridors shown on Map 1. They already contain a significant number of London’s jobs and together have tremendous capacity for growth. The most substantial opportunities are to the east, along the Thames Gateway, a national priority area for regeneration and an area with many low-income households, which would benefit from economic growth.

### Map 1. The London Plan Key Diagram



**5.25** The Thames Gateway corridor links through central London to the “Western Wedge”, whose growth opportunities include the wider Heathrow area. This east-west axis will be an engine of growth and this explains why Crossrail, which will provide a new east-west spine running through



central London, is so vital to the economic future of the city and the UK. The development area along the Lea Valley leads into the London-Stansted-Cambridge-Peterborough growth corridor, another national priority area and home to some 20 per cent of London's population and housing growth capacity.

**5.26** One major advantage of these corridors is that they enable regeneration and growth to take full advantage of existing radial public transport routes. The Mayor's Transport Strategy shows these corridors and demonstrates how capacity within them can be best expanded through cost-effective investment.

### **What the Mayor will do**

**5.27** Through the London Plan, Transport Strategy and Economic Development Strategy, the Mayor will ensure a coordinated approach to developing London's main opportunity areas for development, including taking full advantage of the scope to facilitate the sustainable growth of a wide range of London businesses.

### **Proposal 5E**

**The Mayor and the LDA will work with partners to take a co-ordinated and targeted approach to regeneration across London.**

### **Analysis**

**5.28** Substantial regeneration and urban renewal is needed, especially in inner London, where deprivation is concentrated, and in

numerous housing estates and other pockets of deprivation across the capital. These areas are often associated with the problems of poverty, poor health, low educational standards and worklessness, as discussed under Objective 4.

### **What the Mayor will do**

**5.29** The Mayor will encourage a comprehensive and sustainable approach, in which physical improvements are accompanied by actions to improve education and skills and remove barriers to employment. He supports regeneration programmes which are sensitive to their particular place and community. He will target areas in which market dynamics are failing and will work with partners to build confidence and encourage initiative within the community. Regeneration will require effective partnerships and joint ventures between the private sector and bodies such as the LDA, TfL, boroughs and the HCA.

**5.30** The LDA's regeneration and growth priorities will include the Upper and Lower Lea Valley, the Royals, the East Thames corridor, and the wider Heathrow area. The Mayor will also support the local regeneration work led by the boroughs, for example, considering how local transport and environmental improvements can best support development. Most of the Opportunity Areas are in or near areas needing regeneration and the development of these areas should act as drivers of regeneration of the surrounding area.



## Proposal 5F

**The Mayor will encourage the further development of diverse and attractive neighbourhoods throughout London and will encourage local economic development as an essential ingredient in this.**

### Analysis

**5.31** A vibrant and attractive city is built upon its communities. One of London's greatest assets is its diverse network of distinctive neighbourhoods. Outside the main concentrations of employment is a hierarchy of smaller town centres and high streets reaching down to corner shops and scattered local services. Smaller town centres have a vital role as centres for their community. Some of them are prospering but many are in decline<sup>88</sup>. They have tended to struggle as their relatively poor accessibility, degraded streets and ageing premises have proved insufficient to meet the demands of modern retailing and business.

### What the Mayor will do

**5.32** The Mayor believes that these local centres need to be supported by specific measures appropriate to each circumstance. In some town centres office accommodation needs to be modernised. In others, there may be a need for selective encouragement of mixed-use development and for greater retail diversity. Many small neighbourhood shops provide an important community function, but are struggling.

**5.33** The Mayor will encourage a strong sense of place and community with the physical and social infrastructure needed to create attractive places to live, work and enjoy a high quality of life. The Mayor's forthcoming London Housing Design Guide will encourage better standards of design. The Mayor will work with the police to improve safety in neighbourhoods.

**5.34** The development of these centres is primarily a matter for the local borough councils through their local economic development assessments, plans and activities. The Mayor recognises the statutory role of boroughs regarding economic development matters and seeks to support and complement this role through this Strategy. He will encourage boroughs' efforts to improve their centres, and will use the London Plan to promote and enhance a strong sense of place and community.

## Proposal 5G

**The Mayor will work with the LDA, TfL and partners to achieve the full economic development benefits of London's transport schemes and to bring forward the necessary further investment in London's infrastructure.**

### Analysis

**5.35** As a global city and an international and national hub, London's economy depends upon an effective strategic transport network. Improving transport accessibility and capacity will greatly assist economic growth, which is

held back by congestion on London's public transport and road networks.

**5.36** Committed investments over the next decade in the TfL and Network Rail Business Plans include Crossrail, Thameslink, Tube improvements and other mainline rail enhancements. Crossrail's anticipated benefits exceed £36 billion in GDP over 60 years (at 2002 prices)<sup>89</sup>. It supports access from across London and beyond to high-value economic activity in central London; connects very productive parts of the city (the Isle of Dogs, the City of London, the West End and Heathrow); and opens up parts of East London to regeneration, including increasing the jobs capacity of the Isle of Dogs by around 100,000. Its benefits will be felt across the whole of London's transport network.

**5.37** These major schemes will bring huge benefits across London. They will allow many more people from inner and outer London to access employment opportunities in the centre. By eliminating capacity constraints that would otherwise hinder future growth, these schemes also generate major economic returns that will benefit the whole of London.

### What the Mayor will do

**5.38** The Mayor's Transport Strategy contains proposals to further strengthen London's strategic public transport network. It also promotes smaller scale improvements designed to increase the capacity of existing systems, including orbital movement. The Mayor is encouraging many more journeys to work by

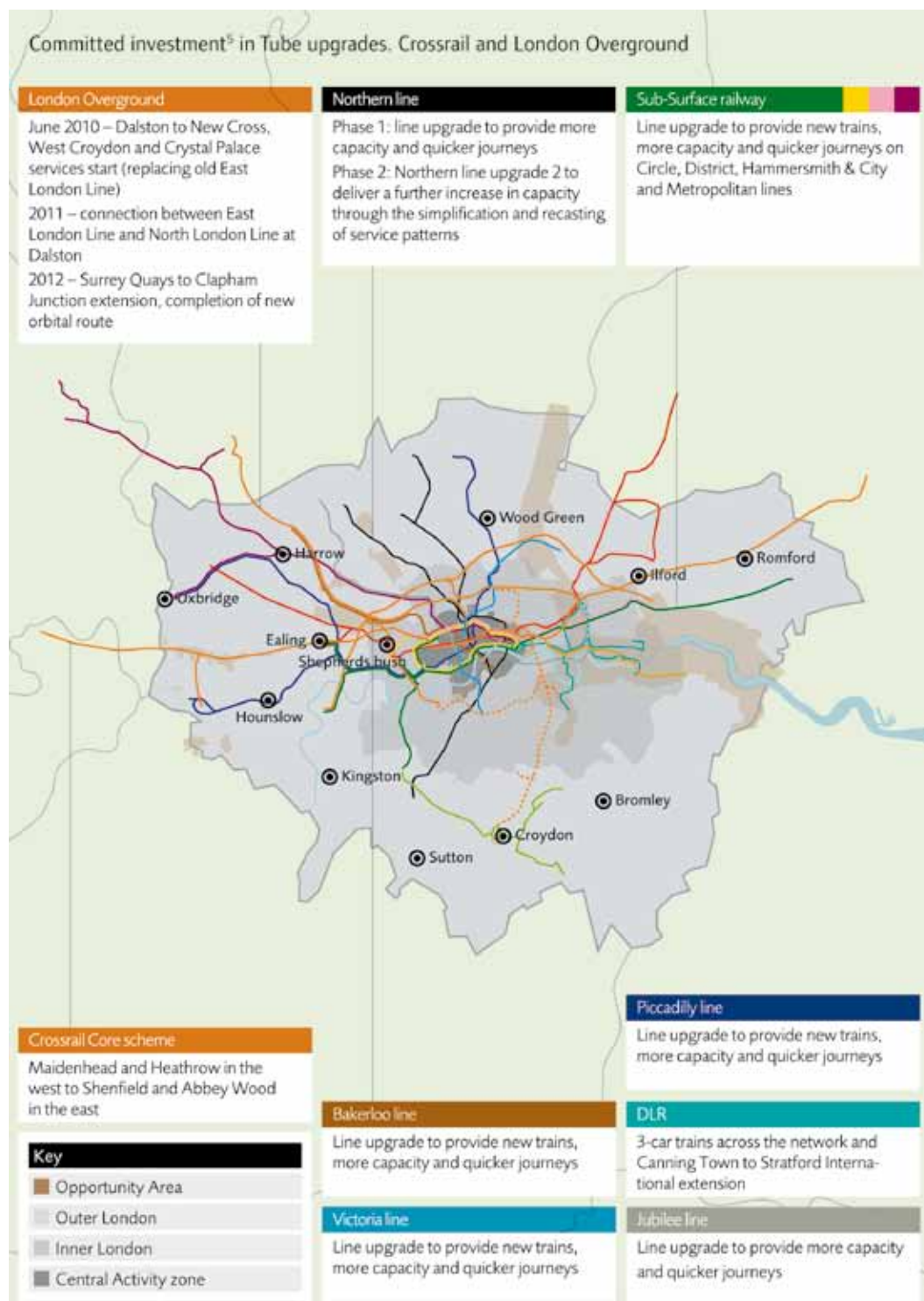
bicycle and on foot. There may be opportunities to increase economic benefits from river transport, particularly by further boosting freight, passenger and visitor use of the river.

**5.39** London's labour market is extraordinarily fluid<sup>90</sup>. In every borough except Westminster and Hillingdon, more than half the borough's workforce commutes from outside that borough<sup>91</sup>. Nevertheless the Mayor believes it is important to co-ordinate the location of homes and workplaces with public transport systems as fully as possible. Maps 2 and 3 show (opposite) that the Mayor's spatial development strategy, as contained in the London Plan, will achieve a good strategic level of compatibility between new areas of housing and of employment under the proposals in the London Plan. The Mayor's spatial and transport policies also achieve a strong correlation between anticipated future employment growth and improved public transport capacity. The implementation of these policies will require investment in transport sustained right up to 2031 and beyond.

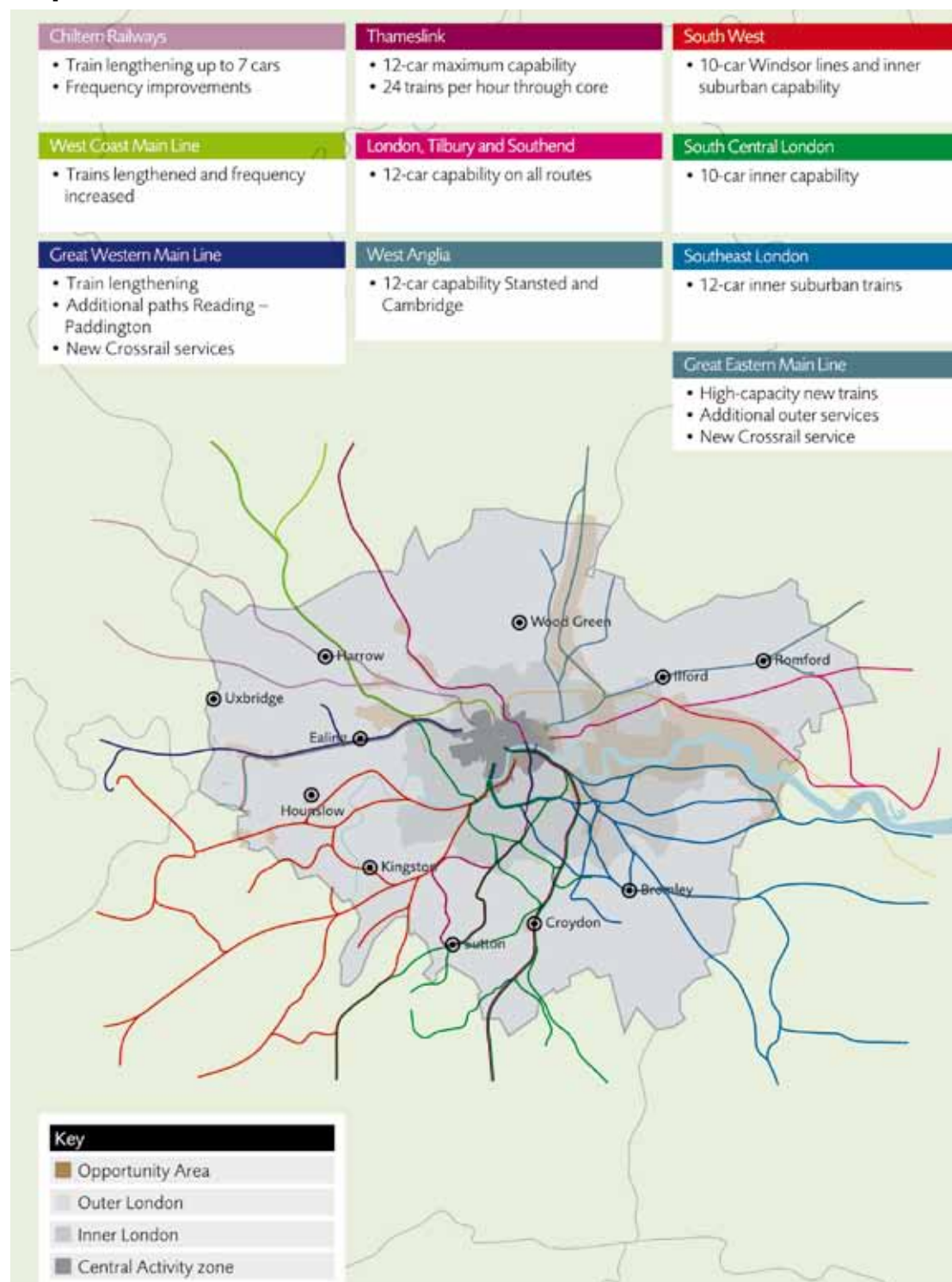
**5.40** An efficient logistics system and related infrastructure is also essential to London's competitiveness. The logistics sector has 260,000 employees, which represent six per cent of total London employment<sup>92</sup>.

**5.41** It is important that freight operations are linked to key growth hubs such as airports as well as business located within employment areas. TfL has been working closely with the LDA and other partners to look at options to develop rail freight facilities adjacent to "High Speed 1" in the Barking area. Such facilities

## Map 2



## Map 3



could make use of the expanding network of high-speed rail lines across Europe to provide an alternative for high-value time critical freight that currently uses air to access Heathrow.

**5.42** The LDA, TfL and GLA are working on a water freight action plan, which will examine opportunities for businesses to make use of the river and get existing wharves and facilities back into use.

**5.43** London's airport capacity plays a key role in its global success. The Mayor recognises that some additional runway capacity will be needed in the wider South East. He will resist the provision of further capacity at Heathrow because of its unacceptable environmental and community impacts and will support the evaluation of alternatives. He supports the proposal of a north-south high-speed rail line, which would help economic development and release some airport capacity.

**5.44** The Mayor will also support strategic investment in other forms of infrastructure essential to an efficient and productive city. He has produced or is producing strategies for energy, water and waste. He sees continued support for Information and Communication Technologies (ICT) infrastructure as essential to economic growth.

## **Proposal 5H**

**The Mayor will work with partners in the wider South East to achieve mutual economic benefits from investment.**

**5.45** The connections across the wider metropolitan region will continue to grow. Rail demand between London, the East and the South East is expected to increase by 30 to 40 per cent by 2031<sup>93</sup> and this can only be managed by collaboration. All of the five corridors described above link London and its hinterland and the Mayor will work with strategic partners to co-ordinate development and maximise investment. He will also collaborate with agencies in the wider metropolitan area in considering the options for and impacts of airport development.

**5.46** The LDA also plans to work with neighbouring regions, including work to identify the potential of the freight and logistics sector and the potential impact of investment in the London Gateway deep-sea port, which is linked to the largest logistic park in Europe.



## 6. Implementation and summary of proposals

**6.1** The Mayor, working with the LDA, is undertaking an extensive consultation exercise on this draft of the EDS with Londoners, London businesses, and other stakeholders, beginning in October 2009 and ending in January 2010. At the same time he is consulting on the draft London Plan and his Transport Strategy. All three documents will be revised in the light of comments and the final version of the EDS is expected to be published by summer 2010.

**6.2** This chapter draws together the Mayor's proposals from earlier chapters. Throughout the consultation, the Mayor will engage partners from the public, private and voluntary sectors, on the draft EDS, including the development of a more detailed Implementation Plan, and to ensure the EDS provides the appropriate level of guidance to delivery organisations in London.

### Summary of proposals

Proposals:		Indicative Key partners include:
<b>Objective 1: to promote London as a city that excels as a world capital of business.</b>		
<i>Some key measures of progress: Return on Investment of promotional activities, Foreign Direct Investment figures, export growth of goods and services, international visitor spending</i>		
Proposal 1A	The Mayor will work with partners to strengthen the promotion of London as a global leader and will encourage promotional agencies to work collaboratively.	LDA, Promote London Council members and the private sector
Proposal 1B	The Mayor and GLA Group will work with LOCOG and other key partners to promote London to the world, taking full advantage of the 2012 Games opportunity.	LOCOG
Proposal 1C	The Mayor will work with partners to develop a comprehensive international trade strategy to increase London's exports, particularly in rapidly developing markets such as India and China.	LDA and UKTI



## Objective 2: To ensure that London has the most competitive business environment in the world.

*Some key measures of progress: business growth and start-up rates, private/public sector collaborations, London rankings in attractiveness to business of international cities, competitiveness indicators, business costs relative to competitor cities, quality of environment indicators, reduction in health inequality, sport and culture participation, crime indicators*

Proposal 2A	The Mayor will work with partners to further develop London's capacity for innovation, particularly for SMEs, by encouraging collaboration across sectors, promoting more productive links between business and academia, providing support for innovative activities, promoting entrepreneurial skills and helping in accessing funding.	LDA, universities, NHS and the private sector
Proposal 2B	The Mayor will promote cost effective business support programmes for London's businesses, and especially its SMEs, working with central government, the LDA, local authorities and business representative organisations in London.	LDA, LSEB, central government, boroughs and the private sector
Proposal 2C	The Mayor will monitor the factors affecting London's competitiveness so as to identify where corrective action is needed to address factors having a negative effect.	LDA, central government and IBAC
Proposal 2D	The Mayor will continue to be an active champion of business and will lobby government and encourage an open and competitive business-friendly environment and a flexible and skilled labour market.	LDA, LSEB, central government and LBAC
Proposal 2E	The Mayor will work with partners to ensure costs to business are kept as low as realistically possible.	LDA, TfL, boroughs and private sector
Proposal 2F	The Mayor will work with the neighbouring regions to achieve mutual economic benefits.	East and South East regions, LDA and central government



Proposal 2G	The Mayor will work with boroughs and other partners to improve the quality of the environment in London.	Boroughs, TfL and LDA
Proposal 2H	The Mayor will work with the NHS and partners to improve health in London and reduce health inequalities.	NHS, boroughs and central government
Proposal 2I	The Mayor will work with partners to improve and promote London's overall cultural, sporting and entertainment offer.	LDA, LOCOG, boroughs, cultural and sports organisations
Proposal 2J	The Mayor will work with the Metropolitan Police, boroughs and other partners to increase safety, drive down crime and particularly to counter business crime in the capital.	LDA, MPA and boroughs
<b>Objective 3: to drive London's transition to a low carbon economy and to maximise the economic opportunities this will create</b>		
<i>Some key measures of progress: reduction in London's carbon footprint, reduction in carbon footprint of London business, public sector and residential, low carbon economy investment level; increase in supply of decentralised energy, low carbon economy skills supply, performance of low carbon zones relative to other areas</i>		
Proposal 3A	The Mayor will lead by example and will work with partners to ensure that London realises the great economic opportunities associated with the move to a low carbon economy.	GLA Group and the public sector
Proposal 3B	The Mayor will work with partners and lobby government to develop the scale of investment and environmental infrastructure needed to support a low carbon London.	GLA Group, LWRB, Utility companies, central government and the private and voluntary sector
Proposal 3C	The Mayor will encourage business to participate in exemplary projects to cut carbon such as the creation of a showcase Green Enterprise District and of Low Carbon Zones.	LDA, boroughs and the private sector
Proposal 3D	The Mayor will work with partners to ensure London's workforce has the right skills so businesses fully realise the employment opportunities from the global move to a low carbon economy.	LDA, universities and skills organisations

Proposal 3E	The Mayor will create a policy framework to address climate change and will work with private, public and voluntary sector partners to improve their environmental performance.	GLA Group, public, private and voluntary sector
<b>Objective 4: To give all Londoners the opportunity to take part in London's economic success, access sustainable employment and progress in their careers.</b>		
<i>Some key measures of progress: child poverty reduction, educational achievement such as Number of GCSE passes at A*-C, employment rate, job retention rates, adult illiteracy and innumeracy levels, housing indicators</i>		
Proposal 4A	The Mayor will work with partners to help ensure that all children in London get a good start in life, and encourage relevant agencies to work towards the government's target to end child poverty being achieved in London by 2020.	LDA, boroughs and the education and third sectors
Proposal 4B	The Mayor will work with partners to ensure that all young people in London have appropriate opportunities to gain the knowledge, skills and confidence to succeed in London's labour market.	LDA, boroughs, schools and skills organisations
Proposal 4C	The Mayor will work with partners, particularly through the LSEB, to raise London's employment rate, and to reduce the employment rate gap for disadvantaged groups, by removing barriers and disincentives to work and providing more personalised and joined-up services to help people into employment and career progression.	LSEB, LDA, central government and skills organisations
Proposal 4D	The Mayor will work with the LSEB and other partners to significantly improve training and employability support so as to help people secure and retain a job with a particular focus on neighbourhoods with high concentrations of worklessness.	LDA, ODA, TfL, skills organisations, third sector and boroughs

Proposal 4E	The Mayor will work with the LSEB and other partners to help meet the aspirations of Londoners to acquire relevant skills and qualifications to progress in their careers.	LDA, HEI and skills organisations
Proposal 4F	The Mayor will work with the Homes and Communities Agency, boroughs and other partners to ensure there is sufficient and suitable housing to meet the needs of London's growing population and workforce, and to address problems of homelessness and overcrowding.	LDA, HCA, boroughs and central government

**Objective 5: To maximise the benefits to London from investment to support growth and regeneration, and from the 2012 Olympic and Paralympic Games and its legacy.**

*Some key measures of progress: local economic activity and employment indicators, economic growth rate in outer London, investment levels in the Central Activities Zone, Housing and employment capacity, quality of life indicators, infrastructure investment and transport congestion indicators, public and private sector leverage*

Proposal 5A	The Mayor will work with partners to strengthen the economy across London including removing barriers to outer London fulfilling its potential, and to support the development of town centres in outer and inner London as hubs for their communities and local economies.	GLA Group, boroughs and the private sector
Proposal 5B	The Mayor will work with partners to ensure that investment sustains and increases central London's ability to be competitive, productive and innovative.	LDA, TfL and boroughs
Proposal 5C	The Mayor and LDA will work with the Olympic Park Legacy Company and other partners to fully seize the unique regeneration opportunity offered by the 2012 Olympic and Paralympic Games.	LDA, TfL, ODA, HCA, OPLC and boroughs

Proposal 5D	The Mayor will work with boroughs, developers and other partners to identify capacity to accommodate large-scale employment and housing development, including in the London Plan's Opportunity Areas, through the planning system, transport proposals and investment support.	LDA, HCA, boroughs and the private sector
Proposal 5E	The Mayor and the LDA will work with partners to take a co-ordinated and targeted approach to regeneration across London.	LDA, TfL, boroughs, HCA and the private sector
Proposal 5F	The Mayor will encourage the further development of diverse and attractive neighbourhoods throughout London and will encourage local economic development as an essential ingredient in this.	LDA, boroughs, HCA and the private sector
Proposal 5G	The Mayor will work with the LDA, TfL and partners to achieve the full economic development benefits of London's transport schemes and to bring forward the necessary further investment in London's infrastructure.	TfL, LDA, central government and private sector
Proposal 5H	The Mayor will work with partners in the wider South East to achieve mutual economic benefits from investment.	LDA, East and South East regions and the private sector

## Consultation

**6.3** The Mayor of London is interested in your views on this public consultation draft of the EDS.

**6.4** The Mayor welcomes responses commenting on the document as a whole or on the analysis, structure, objectives and individual proposals within it. Responses should be received by 17:00 on 12 January 2010.

**6.5** During the public consultation the LDA will be holding a number of local and thematic public consultation events. Further details of these events

are available on the LDA website, [www.lda.gov.uk](http://www.lda.gov.uk), or by calling 020 7593 9000

**6.6** A report on the public consultation for the EDS will be available to view on the LDA website from April 2010. Responses to individual comments will be provided on request.

**6.7** In preparing the final EDS, the Mayor will consider comments made on this draft, as well as comments on the draft London Plan, Transport Strategy and Mayoral environmental strategies where these are relevant.

**6.8** Visit the LDA Consultation Portal at <http://lda-consult.limehouse.co.uk/portal/eds/eds> to view supporting documentation and to submit your response to the consultation.

**6.9** Alternatively, responses can be sent by email to [eds@london.gov.uk](mailto:eds@london.gov.uk) with “The Mayor’s EDS consultation” in the subject box, or in writing to:

The Mayor’s EDS consultation  
LDA  
Palestra  
197 Blackfriars Road  
London SE1 8AA



# Annex 1

## London Plan and Transport Strategy objectives

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### **The London Plan has six objectives, which are to ensure that London is:**

1. A city that meets the challenges of economic and population growth
2. An internationally competitive and successful city
3. A city of diverse, strong, secure and accessible neighbourhoods
4. A city that delights the senses
5. A city that becomes a world leader in improving the environment
6. A city where it is easy, safe and convenient for everyone to access jobs, opportunities and facilities

### **The Mayor's Transport Strategy has six broad goals, which are:**

1. Support economic development and population growth
2. Enhance the quality of life for all Londoners
3. Improve the safety and security of all Londoners
4. Provide transport opportunities for all Londoners
5. Reduce transport's contribution to climate change and improve its resilience
6. Support delivery of the London 2012 Olympic and Paralympic Games and its legacy





# Annex 2

## Short economic history of London

### Introduction

London is one of the world's key global cities. It is the premier international financial centre and, with New York and Tokyo, forms part of the so-called 'golden triangle' that links Europe, the Americas and Asia in a highly interdependent web of financial flows, information networks and human capital that together constitute the global financial system. This essay develops a broad narrative of the evolution of London's economy since the medieval period, providing a context in which to interpret its key characteristics as an urban economy of great significance and complexity. History cannot predict the future but it can place current trends in a longer-term perspective. By examining the foundations of London's economic distinctiveness and subsequent transformation over the last one thousand years, the argument here will highlight those enduring attributes of the metropolitan economy that help explain its resilience and capacity for renewal that lie at the heart of all great cities. The essay comprises four main sections: first, it examines the nature of the medieval economy in the capital with particular reference to the changing dynamics of trade, the evolution of craft skill and the structure of manufacturing; second, it explores the early modern economy, focusing on how London's trade, business and services became recognisably more modern in size, structure and organisation; third, it charts how in the modern era the changing economic structure of the capital responded to the opportunities and challenges of the age of industry and empire; fourth, it brings the

story to the end of the twentieth century with reference to the experience of the metropolitan economy in the post-war years.

### Medieval London: craft skill, manufacturing and trade 1000-1500

London started with the Romans. Although the city declined substantially after the Romans left, the foundations for London's development into a leading European commercial and trading city after AD 1000 can nonetheless be traced to that period. The Roman bridging of the Thames and the location of the city on the northern bank, as a key hub within an extensive network of roads, together with ready access by river to the sea, gave subsequent merchants and traders distinct advantages. The locational advantages were directly influential in shaping the nature, direction and volume of London's trade links in the medieval and modern periods too. But the case for looking at London's medieval economy is wider than this. In the period between 1000 and 1500 some of the key factors behind London's enduring economic dynamism can be discerned, as the city moved from being a predominantly regional centre within a clearly defined local hinterland, to a metropolis on a world scale. Determining the population of the capital in this period is notoriously difficult, but for AD 1300 a figure of between 80,000 and 100,000 is now generally accepted.

Trade was the basic foundation of London's commercial power. English exports were dominated by wool, initially in its raw state though increasingly woven into cloth, and

London dominated the trade. Other exports of note included tin, pewter, coal and various animal products like butter, cheese or hides. Corn, which was a major export from other port towns, rarely figured in London's foreign business due to the vast consumer demand to be met locally. The significance of overseas trade cannot be over-estimated but it is important to note that it was not always native Londoners who controlled the business. Alien groups from northern and southern Europe were also active participants. London's relative openness to foreigners underscored its success as a trading metropolis. Merchants from France, the Low Countries, Scandinavia, central Europe and Italy gathered in the city, often residing in the waterfront zone designated for overseas traders. Notably some made the transition from merchants to bankers and financiers, becoming key to the city's future economic prosperity.

Key imports included fine textiles, furs, copper, weapons, and armour, together with wine, fish and spices. Many such commodities were supplied to the city's wealthy elite, including royalty and the surrounding ranks of nobles and aristocracy who resided in the metropolis. This density of purchasing power set London apart from all other cities in the kingdom. The city performed an important national distributive role too as goods were sent out to the provinces to meet local demand. This interdependence between London and the country was another important factor shaping the metropolitan economy. In certain sectors, such as woollen cloth, London was not the site of production, but performed an important role

as a centre of marketing and distribution. For example, London drapers acting as middlemen, bought cloth from all over England to sell at Blackwell Hall. The return flows of trade brought a vast range of imports to the provinces.

By the early-fourteenth century London was the pre-eminent city in England. The 1377 Poll Tax recorded more than three times as many taxpayers in the city compared with York and Bristol, the next two cities in the late-fourteenth century urban hierarchy. However, London was distinguished not only by the scale of its economic activity but also by the diversity of its economic structure. Despite the prominence given to its trading status it was by far the largest centre for manufacturing in the country too. The size and wealth of its local market could support a greater variety and more specialised activity than elsewhere. As a site for conspicuous consumption London promoted craft production that relied upon a high input of skill using valuable raw materials. Examples included the goldsmiths, other metalworkers such as bell casters, together with painters, sculptors and fine textile finishers. The breadth of goods made and the diversity of skills developed deserves emphasis; no other town in the kingdom could provide the market characteristics to support such specialised production, where demand was infrequent and skills at a premium. Custom-made or high quality small batch production was generally located in workshops, but there were some larger-scale industries too, including cloth dyeing, tanning and brewing.

As trade and manufacturing in London continued to develop the service sector also grew. In the twelfth century the profession of 'shopkeeper' was only to be found in London, referring to someone whose prime function lay in the display and sale of goods. Although many such 'shops' had manufacturing functions, others were stand alone retail units employing substantial numbers. The scale of the metropolitan economy was again the key to explaining the volume and diversity of the retail sector, where many were involved in servicing a mass market for consumer goods. Allied to the retail sector was the provision of food to the metropolis, an immense task which stimulated a multiplicity of food markets around the capital. Finally, the demands of the local market began to encourage increasing specialisation as scriveners, apothecaries and others provided for the needs and wants of the aristocracy and the great London merchants.

One important consequence of the increasing scale and diversity of economic activity in the metropolis was the emergence of a series of specialised commercial and business districts much earlier in London than in other towns. Distinct neighbourhoods, such as retailing in Cheapside or markets in corn and malt in Queenhithe patterned the city, characterised by an interdependence of commodity markets and craft skill. This was the foundation of a detailed economic geography, with particular trades focused on particular streets, that persisted well into the twentieth century. With ready access to money markets and labour, this close-knit topography of economic activity allowed a flexibility in production that was only effective on a large scale in the capital.

### **Early Modern London: population growth, 'big' business and the rise of services 1500 to 1700**

The growth of London's population between 1500 and 1700 was dramatic: from around 75,000 in 1550 to 575,000 in 1700. Such growth propelled the city up the European urban league table, from sixth place in 1550 to become the largest city in Europe by 1700. Early modern London saw a transition from a relatively small medieval capital city principally based on the woollen cloth export trade, to a metropolis at the heart of the European economy. The population spilled out of the walled city and its immediate environs, eventually linking up with the city of Westminster when the Strand was constructed in the late sixteenth century. Southwark, on the south bank of the Thames, continued to develop and on the north bank suburban growth to the east was also evident. However, despite the scale of this transformation there were some notable continuities in economic life too, not least the enduring importance of trade to the city's fortunes.

It is likely that the port of London, including the shipping industry and ancillary trades, employed around one quarter of the working population by the early-eighteenth century. In this period, as in the medieval phase, the export trade was dominated by woollen cloth, shipped to the key European markets. Traditional heavier cloths gradually fell out of favour though and new lighter draperies were produced specifically for markets in southern Europe and the Mediterranean. But

the significance of maritime trade went beyond shipment and storage. Many important London industries processed imported raw materials or finished domestic manufactured goods for export. These trends signalled a key shift from the medieval period when commerce in the capital was dominated by the high-end consumption needs of the city's elite. By embracing a large-scale "entrepot" trade London became more successful as a city that could add value too, broadening out its economic base.

The re-export trade grew substantially in the seventeenth century, drawing upon London's well established web of merchant trade connections to break up bulk imports for onward shipping to a wide variety of markets. By 1700 the re-export of commodities like tobacco, sugar, pepper and manufactured goods like linen and silks comprised nearly two-fifths of the total of London's overseas trade. Further, London merchants profited from the trade in goods passing directly between foreign ports, rather than bringing them through London, in a fascinating prelude to the role London would play as clearing house for the world economy during the nineteenth century. The capital's export trade was being transformed in this period by merchant adventurers seeking out new overseas markets, as well as the impact of the discovery of the Americas. Colonisation, including slavery, had a substantial impact on the metropolitan economy by increasing trading opportunities for the import of raw materials in exchange for the export of manufactured goods. In this London mirrored the national economy though

the range of contacts and trading relationships surpassed all domestic rivals, such as Bristol, Liverpool, Newcastle and Hull.

All this had a spin-off for other branches of the London economy: new large-scale trading companies were established, often by Royal Charter, to organise the flow of trade with more distant regions of the globe; larger shipping was required to move bigger volumes over longer distances; industries in the capital benefited from extra work in the finishing, refining, processing and warehousing of commodities and goods for the export and re-export trades. Despite the emphasis on exports it was imports that proved more profitable for London's merchants. These included luxuries like wine and spices, but also what might be considered basic goods like hats, soap, paper, mirrors and glass. These latter items reflected the lack of domestic production in these areas and gradually were replaced through import substitution as local craftsmen were motivated to innovate or simply copy in response to foreign competition.

London was also key to the articulation of the nation's internal trade. Flows from the provinces to the capital largely comprised food, timber and coal for fuel and raw materials used in a range of metropolitan industries. Added to this were part-finished manufactures which could be worked up in London's workshops and factories for either sale locally or export. Return flows to the provinces chiefly comprised the movement of imports to provincial markets and retailers, along with London-made goods for the domestic market. This internal trade stimulated

a huge growth in transport services, as goods were moved around the country by cart, wagon, navigable river or coastal trading routes.

Manufacturing continued to develop in the metropolis throughout this period. Goods ranging from weapons and ordnance to haberdashery, ironmongery, hats, paper and stationery were all significant. Many sectors of the London economy underwent substantial restructuring in this period too, as large-scale strongly capitalised businesses began to supersede the small independent masters and workshops of London lore. In this the capital was not unique, but was responding to wider changes in the English economy, though given the size and diversity of its economic base, the shifts took on a special significance.

Finally, the service sector gained a distinctive importance and scale that was largely absent in the preceding medieval period. Law, for example, grew substantially, as did medicine and work for those involved in the bureaucracy of government. Banking was in its early stages, but from the mid-seventeenth century specialised banking houses had begun to emerge from the goldsmiths and scriveners who preceded them. In large measure these developments were responding to the opportunities to service the aristocracy and gentry in the capital. Driven by the interests of the Court, many aristocrats sought to reside for part of the year in the metropolis, bringing with them a demand for housing and conspicuous consumption that stimulated London's service economy as well as specialised manufacturing.

By the early eighteenth century London's economy had become more diverse and also more modern in structure. In the mid-sixteenth century two thirds of the working population had a connection to the cloth trade. By the end of the seventeenth century many new industries had been added. These included refining or finishing colonial produce, import substitution of various kinds, or manufactures to meet the new consumer demand for luxury commodities. Diversification was one of the chief defining characteristics of the capital compared with other large cities in the nation. The scale of business had changed significantly and although many small craftsmen still persisted in manufacturing, the large corporations began to wield increasing influence.

### **Modern London: industry and empire 1700-1945**

After 1700 London grew enormously, reaching 675,000 in 1750 and 5.5 million by 1891. Despite its size, though, the city is largely absent from the classic accounts of industrialisation in Britain. The development and intensification of production in a variety of provincial settings gave visible expression to the changes brought about by the industrial revolution. Hence the prominence of the midlands and the north in histories of British industrialisation. The factory system which came to dominate production in these places never really took hold in the capital. Yet London remained a flourishing centre of manufacturing, even as late as 1851 retaining its status as the nation's largest manufacturing

city. The distinction between manufacturing and industry is significant, as with a few notable exceptions London didn't come to rely upon large-scale industrial production in the classic sense. Nonetheless, its sheer size as a market meant it generated a large and continuing demand for the products of the industrial revolution. The well-known phrase 'coals from Newcastle' pointed to the intensive coasting trade bringing fuel from the Great Northern Coalfield to the capital, via the North Sea and the Thames. The metropolis remained central to the economic life of the nation in other ways too, acting as a hub for capital, information and expertise in banking, finance, shipping and insurance. The growth in trade volumes handled by London was reflected in the construction of a series of new monumental docks downstream from the City in the early-nineteenth century. Their names, including the West and East India Docks gave clues to the source of their trade. The widening and deepening of connections between Britain and her empire over the eighteenth and nineteenth centuries had a significant and enduring impact on London's economy.

London was never an archetypal industrial city in the way Manchester became dominated by cotton textiles or Halifax by woollen cloth. The scale and diversity of economic activity in the capital always lessened the likelihood of any undue dependency on a narrow range of industries. This didn't mean industry was absent from the city though. The nature of industry in the city during the industrial revolution is best characterised as bi-polar. Large-scale organisation of production, the

closest London came to developing a true factory system, was reserved for those sectors serving the huge consumer demand in the capital, including brick-making to fuel the extensive growth of the Victorian suburbs and brewing to slake the thirst of the burgeoning population. Complementing these large-scale industries were the many small-scale workshops, including sweatshops, typified by the textile producers of the East End. The business organisation and methods of these smaller-scale producers give important clues to the vibrancy of the metropolitan economy in this period. Where the large industrial cities of the midlands and the north, many relying upon a narrow range of resources and industries for their prosperity, were always vulnerable to longer-term structural shifts in demand and competition, the workshops of the capital gained in flexibility what they gave away in pure size.

In this sense the idea of a close-knit series of industrial districts is a better way of conceptualising London's manufacturing base, than seeking evidence of the factory system proper. Flexibility gave London a leading role in the emergence of an enterprise economy, where circuits of informal information flow and casual methods of employment meant entrepreneurs could respond quickly to changes in taste and consumer demand by varying batch production of both high and low value goods. Drawing upon the wide variety of skill and tradition of innovation in the metropolis, together with a large, flexible workforce, the dynamism of London's Victorian economy stood in sharp contrast to the

emphasis on mass production of standardised capital and consumer goods in the classic industrial cities of the period.

Whilst manufacturing was important to London's economy, of greater long-term significance was the sustained growth in services. The nineteenth century was the period when London rose to 'world city' status. In fact it was the only city anywhere that could truly claim this title before the twentieth century. In the Victorian period the City of London built on the advantage gained over European centres like Amsterdam in the later-eighteenth and early-nineteenth centuries to become the one undisputed world financial centre after 1850. The City grew wealthy by serving both domestic and international markets, mirroring the traditional dual focus of London as a whole. Over the eighteenth century it had begun to develop a sophisticated money market that provided credit to balance the varying capital requirements of the different regions of the nation. Into the nineteenth century its role in international finance deepened, especially through links with the British Empire and those areas where Britain exerted informal imperial control.

By the 1870s the City could reasonably be characterised as the 'clearing house' for the world economy, providing capital, credit, insurance and shipping services for a large part of the globe. Much of this involved the organisation of trade flows between Britain and her colonies, where the London docks took on a prominent role in the import of raw

commodities and the export of manufactures. Of great importance too was the capacity of the City to provide banking and financial services for the world; financing, shipping and insuring cargoes between third parties that never touched Britain's shores. The 'Bill on London', together with the rise of sterling as world money backed by the gold standard, emphasised the importance of trust in the development of the City's world financial role. A trader in India, shipping tea to Australia, would almost certainly have had no direct knowledge of his Australian counterpart, but both knew and trusted a merchant bank in the City of London to underwrite the deal. The deep pool of commercial expertise, as well as access to capital and credit, propelled the City forward and provided employment for many thousands in the service sector. Paralleling the commercial and financial economy was the substantial growth in government employment, largely concentrated in Westminster, and the whole panoply of service sector employment associated with the city's national and world city status. Newspapers and the business of information; theatres, clubs and places of leisure and entertainment; personal and domestic service for the aristocracy residing in the West End squares; booking clerks for the increasing numbers taking foreign holidays, were just a few examples.

These shifts in the nature of employment in London led to a re-shaping of the geography of economic activity too. The City saw sustained residential depopulation from the 1860s onwards, as commercial office space pushed domestic residents and later industrial

users out to the periphery of London and beyond. In part this was enabled by the revolutions in transport that allowed an expansion of commuting beyond that provided by horse drawn vehicles. The railways were crucial in facilitating the physical growth of London as suburbanisation gathered pace across the city from the middle decades of the nineteenth century.

Within the City itself clearly defined specialised business districts, in formation since the medieval period, came into sharp focus. Three were of particular note: the central financial district around the Bank of England and the Stock Exchange; the colonial goods district centred on Mark Lane and the commodity exchanges leading down to the river; the textile marketing district north of St Paul's, where the products of provincial manufacturers joined London textile goods in a series of large warehouses-cum-emporiums marketing to the nation and the world. Downstream from the Pool of London were wharfs, warehouses and docks together with their associated maritime trades. To the east and north-east of the City were the textile workshops of the East End, including the important silk weaving sector centred on Spitalfields. To the north-east lay an important metal working district, including high-value specialised producers of clocks, watches and furniture centred on Clerkenwell. Across the river in Southwark, tanning and leather working had a strong presence, as well as brokers and dealers in hops, brought up from Kent to feed the London breweries. Immediately to the west of the City was the legal quarter centred on Lincoln's Inn and the

Temple. Further west came Westminster, seat of government and the civil service, but also of royalty and the aristocratic residential squares of the great estates, all providing a stimulus to high-value shopping and entertainment captured by the term 'West End'.

In the interwar years new forms of economic organisation began to make a further impact on the geography of employment in the capital, as new large-scale factories emerged on the 'Fordist' model. Many were American in origin, such as Hoover or Gillette. As early examples of multinational business they chose to locate on the arterial roads and new business parks on the outer fringe of West London. With the developments of the so-called 'second industrial revolution', most notably electricity and the internal combustion engine, the old locational requirements of industry were stretched as large corporations eschewed expensive central city locations for their major production sites. Conversely headquarters functions were invariably located in and around the City of London, maintaining centuries of traditional affiliation with their proximity to networks of social capital embedded in the commercial and financial centre. Such trends persist today even in an age when widespread information and communication technology should, in theory, have broken the 'friction of space'.

### **Post-war London: from imperial metropolis to global city**

Following the Second World War London's economy faced a number of significant challenges. First, a large part of the capital



had been heavily bombed, including many of the areas around the docks and the City. Though the rebuilding of commercial and industrial premises was pressing, labour and resources were initially directed to housing which had greater need. Substantial rebuilding of the fabric of economic districts did not get moving until the early 1950s. For some industrial enterprises the destruction of plant and equipment provided a push to relocate away from the central areas of the city altogether. Second, as the economy picked up in the 1950s, labour shortages became evident and large-scale immigration from former colonies was encouraged, particularly to fill jobs at the lower end of the skill spectrum. This was a feature of large parts of Britain where labour demand was high, though the draw of the capital was strong and led to the formation of a number of distinctive new communities of immigrants to add to the long-established settlement of peoples from Europe and elsewhere. Third, the Second World War signalled in dramatic fashion that the end of the British Empire was nigh, even though it took the ignominy of the Suez debacle in 1956 to finally make this palpable to an elite reluctant to face a world without empire. The impact on London's economy of the loss of empire, which gathered pace after Indian independence in 1947, was substantial. Even at the empire's height, though, London had always been more than an imperial capital. It had provided services not only to the British Empire and those areas of the world under informal imperial influence, but also to the rest of the world. It was a true international financial centre in this sense between 1870

and 1914. But the aftermath of the First World War saw the liberal free-trading system, based on the Pax Britannica and the gold standard, crumble as countries retreated into economic protectionism and autarky. The world after 1945 was a new dawn and, initially at least, not one that seemingly favoured London, as increasing competitive threats from other world cities like New York were increasingly felt.

Foreign competition was a continuing problem as the post-war recovery got underway. Although the years between 1945 and the early 1970s are often seen as a 'golden age' of rising output and prosperity there was clear evidence that the British economy was struggling to match the competitive threat from both established rivals and newly industrialising countries. London's manufacturing sector was not immune and in this period a process of decentralisation to cheaper locations in the provinces, or even outright failure, was set in train. These trends intensified greatly during the wave of de-industrialisation that emerged with particular force following the rise to power of the Thatcher administration in 1979. Manufacturing, both in London and elsewhere, struggled. In recent decades the shift of manufacturing out of inner London sites in particular, such as Clerkenwell or parts of the East End, has been partially compensated by the rise of cultural and creative industries, many of whom have located in former industrial premises in these areas.

The one undisputed success story in post-war London has been the renewed success of

the City of London. Its future looked bleak in 1945, with the empire crumbling and the rise of New York seemingly inexorable. Until the early 1950s most hoped for a return to the pre-war world as a solution, however fanciful this seems in retrospect. The wider political agenda reinforced this as Britain's relationship with Europe struggled to find a sound footing. What saved the City was not a planned strategy for developing new markets and opportunities, but a by-product of the Cold War. The Eurodollar market arose out of Cold War tensions, with nervous Soviets looking for a safe home for their dollars, and restrictions on US bank operations overseas in the era of dollar shortages during the Vietnam War. London, as a trusted centre of finance with historic ties across the globe, benefited as a huge pool of offshore dollars was deposited in the capital. This led to an offshore market in short and long-term lending to governments and corporations the like of which had never been seen before. This deep pool of highly liquid, lightly regulated, capital provided a clear basis for the internationalisation of London well before the Big Bang of 1986.

By breaking down the traditional culture of City institutions and opening them up to foreign ownership and competition, 'Big Bang' unleashed an extraordinary wave of mergers and acquisitions which had huge ramifications for London's economy in many sectors. Whilst the economy of London cannot be reduced to that of the City, it is nonetheless remarkable how widespread its impact has become. Many of the London-based business services like accountancy, corporate law, IT

and management consultancies count City clients as prime generators of business. In the property sector the changing nature of demand for office space, driven by the need to incorporate the new technologies underpinning screen-based dealing in increasingly complex financial products, led to substantial redevelopment in the City itself, but also many City-fringe areas and, above all, Docklands. Although recent events in the global economy have undoubtedly affected levels of employment and income generation in the City, London remains the world's premier international financial centre and a true global city of the first rank.

## Conclusion

The development of London's economy since the medieval period has been remarkable. The city has been transformed from a relatively small capital city focused on a regional hinterland, to one of the key metropolitan centres of the twenty-first century. Perhaps more remarkable, though, is the sheer length of time which London has exerted a dominant influence over both its national sphere and the emerging world economy. What, then, are the continuities in the essential qualities of its economy that have allowed this to occur?

## Location

Location has always been crucial. This is not geographical determinism, but a simple acknowledgement of the benefits of a site well connected to the rest of Britain, but also close to Europe. Human capital needed to capitalise

on this, but the site established by the Romans has proved to be enduringly attractive. The emergence of a dense network of commercial interdependencies in northern Europe from the later medieval period, for example, favoured London with its large tidal estuary and good access to channel ports. Even today, although the technological capacity for economic interdependence across the globe has changed beyond recognition, location still matters. London, as Europe's global city, has capitalised on its position in the world's time zones as a bridge between Asia and the Americas.

## Trade

London first gained a prominent position in Europe as a consequence of trade. The importance of manufacturing to the city would wax and wane over subsequent centuries, but from the medieval period to the present day the capacity to trade has remained key to the city's economic success. Whether it was woollen cloth in the fourteenth century, sugar, tea or spices in the seventeenth century, arms and precision engineered goods in the nineteenth century or banking and financial services in the later-twentieth century, London has flourished because of a political and cultural context that favoured trade. This went beyond the ideology of 'free trade' in the conventional sense, to include openness to foreign participants in the London economy. From the medieval period immigrant groups have made a huge contribution to the economic success of the city, often making the transition from merchant to banker or financier and some becoming part of the commercial

elite of the capital. A willingness to foster such a cosmopolitan population remains one of the key drivers of renewal of the city's economy.

## Scale and diversity

London's economy has always benefited from its capacity to sustain a wide variety of economic sectors. From an early stage the capital had a density of purchasing power unmatched by any other British city, and few overseas. The Court, aristocracy and gentry, professions and, in due course, the metropolitan middle class, all served to stimulate the capital's economy. The level of demand for luxury goods and conspicuous consumption drove not only an increasingly diverse range of imports, but also led to significant innovation by London's craftsmen and artists to supply this rich market with goods like clocks, watches, jewellery, furniture, paintings and sculpture. The consequence was that London developed a skilled workforce earlier than most other cities, but also one that because of the scale of demand could be sustained over the long-term. Though large-scale industry in the nineteenth century seemed briefly to dim London's power in favour of the classic industrial cities of the midlands and the north, London remained the nation's largest manufacturing city. Whereas many industrial cities traded diversity for scale, in the form of the factory system, in London the two were not mutually exclusive. In services London had always been dominant. The significance of this sector grew significantly over time and the structural transition from manufacturing to services that eventually affected the

nation as a whole during the second-half of the twentieth century was well underway in London in the nineteenth. As banker and trader to the empire and the world the demand for service employment in the capital was far in excess of any other city in the nation.

### Flexibility

The flexible organisation of economic activity in the capital, whether in manufacturing or services, has always been central to its success. The range of market demands, coupled with the interwoven nature of many of the city's information networks, meant that innovation and rapid response to changing needs, wants and desires could readily be achieved. The social and economic topography of the city, formed initially in the medieval period, but reinforced and added to in subsequent centuries, produced an economic geography that encouraged such specialisation and interdependence. These networks of skill, resources and knowledge operated at different scales: between streets and neighbourhoods and between districts of the city as a whole. The social capital that bound these together and allowed sharing of expertise, credit and information became centred on the coffee houses from the early modern period, a role now assumed by the wine bars and restaurants of the city.

### Globalisation: plus ça change?

Since the medieval period London has managed to combine roles as a national centre for business, government, culture and consumption with an enduring external orientation. This

characteristic duality makes London unique in Britain's urban history. Of all the key global cities in the contemporary world economy London has the clearest historical path dependence. Between 1000 and 1500 London developed into a key European trading city, important but not yet a dominant force in the continent. Nonetheless its openness to foreign business interests demonstrated a vision that the world beyond the kingdom's shores was vital for its prosperity, even before the British nation had fully come into being. In economic terms London in this period is best understood as a city-state, competing with similar rivals in northern and southern Europe, rather than the capital city of a mature integrated nation-state. Between 1500 and 1700 London's standing in the world grew. Union with Wales in 1536, and Scotland in 1707, saw London secure its status as capital of Britain, whilst for the first time it became indisputably the largest city in Europe and subsequently the world. Adopting an aggressive commercial capitalism it took advantage of new areas for trade, including significantly the colonies of North America and the Caribbean. The early Chartered Companies based in the capital, like the East India Company and South Sea Company, also date from this period and stand as early examples of multinational businesses. These trends intensified over the eighteenth century and in the nineteenth London became the first true world city of modern times. Between 1850 and 1914 it was the world's banker and financier, the world's insurer and a central node in the developing international transport and communications infrastructure rooted in the telegraph and the steamship. The British Empire, with London at its

heart, was a key driver of the contemporary global economy. After 1945 the immediate significance of empire faded, yet London capitalised on its native skills and historical connections to re-emerge as the world's leading international financial centre and one of the 'big three' global cities. Globalisation, despite contemporary hype, has been a long historical process driven by just a few key countries. London was, and continues to be, central to that story.

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### 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 दस्तावेज़ 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.

