The Frank Carter Lecture 2011

The past and future of the London economy

Peter Wood

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### 37 Years of Greater London Employment: ‘000s

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</thead>
<tbody>
<tr>
<td><strong>Manufacturing:</strong></td>
<td>950</td>
<td>358</td>
<td>236</td>
<td>178</td>
</tr>
<tr>
<td><strong>Constr/util/tpt-comm:</strong></td>
<td>650</td>
<td>450</td>
<td>448</td>
<td>437</td>
</tr>
<tr>
<td><strong>Services:</strong></td>
<td>c.2,000</td>
<td>c.2,500</td>
<td>3,231</td>
<td>3,553</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td>3,900</td>
<td>3,300</td>
<td>3,921</td>
<td>4,169</td>
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</table>

(Note: Manufacturing in London: Post-war Peak of 1.6 million workers)
The ‘New’ City of London, 1986-2006

1980s: 'Bowler hats and furled umbrellas', replaced by double breasted suit and the Filofax' (Budd and Whimster, 1992)

Basis of expansion:

1970s: i) Expansion of foreign exchange markets
      ii) Development of 'Eurodollar' market
      iii) Recycling of 'petrodollars'

1980s: i) Political environment
      ii) Deregulation ('Big Bang', 1986)
      iii) Electronic trading
      iv) Growth of 'securitization' to by-pass traditional banking and equities markets.
LONDON: VISITS & SPEND (excl day visits) 1999/09

Visits (m) vs Spend (£bn)

- Domestic Visits* (m)
- Overseas Visits (m)
- Total Spend (bn)

Source: ONS, International Passenger Survey, 2009 preliminary figures; visit Britain, UK Tourism Survey

*Pre 2005 data is not strictly comparable with past years, excludes domestic day visits
Publishing, advertising, fashion, design, architecture, TV, film and radio, fine arts, entertainment, sport, software design and media skills.

Chart 1: London’s creative workforce in 2007

797,000 Creative Workforce Jobs

599,000 Creative Jobs

411,000

188,000

198,000

386,000 Creative Industry Jobs

Source: ABLE SF and GLA Economics. See Box 1 for details.
Figure 3.1: Output growth – London and UK
Real GVA, annual % change, last data point is Q4 2009

Source: Experian Economics

London lagging  -----  London leading
Central London's employment functions, % share compared with outer London and Great Britain, 2009

1: As a consumer centre
2: As a financial centre
3: As a business service centre
4: As an administrative centre
5: As a manufacturing centre
6: The transport of goods and people
6: Construction, repair, utilities
7: Public services

Central London's employment functions compared to:
- Outer London
- Great Britain (GB)
KIBS include:

FINANCIAL:
- Financial intermediation, insurance and auxiliary services, (SIC 65-67)

PROFESSIONAL:
- Property development and management (7011;7032)
- Legal (7411)
- Accounting (7412)

BUSINESS:
- Computer consultancy and database (721-4)
- Market research (7413)
- Business consultancy (7414)
- Architectural and engineering (742)
- Technical testing (743)
- Advertising (744)
Total financial, professional and business services, 1998-00-03-06

Employment, thousands

- Central London
- Core cities
- Manchester
- Birmingham
- Leeds
- Liverpool
- Sheffield
- Newcastle
- Nottingham
- Bristol

Year:
- 1998
- 2000
- 2003
- 2006
Senior managerial employment in financial and business services compared with 'expected' from regional share of financial and business service employment

Deviations from 'expected'.

Finance
Bus Sers
Table 1a: Innovation indicators: Percentage of all UK enterprises *(Bold = highest)*

<table>
<thead>
<tr>
<th>Innovation</th>
<th>Manufacturing Engineering</th>
<th>Other</th>
<th>KIBS</th>
<th>Retail/Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation active</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which:</td>
<td><strong>73</strong></td>
<td><strong>70</strong></td>
<td><strong>69</strong></td>
<td><strong>52</strong></td>
</tr>
<tr>
<td>Product innovator</td>
<td><strong>38</strong></td>
<td><strong>34</strong></td>
<td><strong>37</strong></td>
<td><strong>22</strong></td>
</tr>
<tr>
<td>Goods</td>
<td><strong>35</strong></td>
<td><strong>30</strong></td>
<td><strong>18</strong></td>
<td><strong>15</strong></td>
</tr>
<tr>
<td>Services</td>
<td>16</td>
<td>14</td>
<td><strong>31</strong></td>
<td>14</td>
</tr>
<tr>
<td>Process innovator</td>
<td>24</td>
<td>24</td>
<td><strong>28</strong></td>
<td>10</td>
</tr>
<tr>
<td>Innovation-related expenditure</td>
<td><strong>72</strong></td>
<td>68</td>
<td><strong>66</strong></td>
<td><strong>46</strong></td>
</tr>
<tr>
<td>Wider innovation</td>
<td>40</td>
<td>37</td>
<td><strong>47</strong></td>
<td>29</td>
</tr>
<tr>
<td>Either product or process innovation</td>
<td>44</td>
<td>40</td>
<td><strong>47</strong></td>
<td>25</td>
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</table>
What makes London KIBS innovative?

1. Great variety of knowledge-based business, professional, financial, scientific and creative expertise.

2. Supporting clients’ non-technological + technological adaptation to changing markets, new technologies, cost pressures, etc.

3. Demanding and innovative international and national clients.

4. Ease of remote and face to face interaction between:

5. Competing and collaborating large and small firms, often working in project-directed groups for clients.

6. Ability to support international cooperation and exchange, (e.g. for MNCs, overseas clients (e.g. financial, technological, human resource development)

7. Critical significance of geography, even within central London
Source: Duncan Smith, CASA.
GLA employment projections, 2005-2031, assuming 2.5% p.a. output growth, thousands

- Business services
- Health and Education
- Wholesale & retail
- Hotels & restaurants
- Transport and communications
- Financial Services
- Public admin
Chart 3
Top Four Centres GFCI Ratings Over Time

London
New York

Hong Kong
Singapore

Date >
London KIBS 2008: Numbers of establishments by size group

1-10
11-49
50-199
200+

Thousands

No. of establishments

Employment size group

62 : Computer
63 : Information services
64 : Financial services
65 : Insurance
66 : Auxiliary to finance
68 : Real estate
69 : Legal and accounting
70 : Management consultancy
71 : Architectural and engineering
72 : Scientific R&D
73 : Advertising - market research
74 : Other prof., sci & technical
CURTAIN ROAD, SHOREDITCH, EC2A
£1,200,000 Leasehold