# RESEARCH

LONDON DEVELOPMENT AGENCY

## Understanding London's Sectors

MAYOR OF LONDON

November 2003

# FOREWORD

## FROM MICHAEL WARD

Michael Ward
LDA Chief Executive

Clusters/sectors are now a main policy plank of the Department of Trade & Industry (DTI). Its white paper 'Our Competitive Future: Building the Knowledge Driven Economy' identified clusters and networks as an important area in UK economic development.

Sectors are one of the London Development Agency's (LDA) key activities within our business support services. There are many reasons for focusing on and delivering services through the sector route rather than generic business support, these reasons include that:

- Sectors enhance the performance of individual companies through knowledge spillovers, drive exports, provide the conditions for greater firm formation, innovation and attract quality inward investment
- Different sectors have different needs, which may not be reflected in generic programmes. Sector policies are distinguished by their precise focus on the needs of a particular sector
- It is easier to engage businesses in programmes and projects under the banner of sectors rather than generic business support measures. Businesses see themselves as part of a sector rather than an amorphous collection of firms
- Sector polices can bring together formerly disparate programmes to focus on a single sector bringing coherence, maximising limited resources, highlighting gaps and an holistic approach to policy design and delivery.

Business support has on occasion been hindered by the confusion over terms, particularly the differences between sectors and clusters. The distinction between sectors and clusters is not as great as the different classifications imply. Sectors group together firms according to their production of similar products and services.

London can be seen as one geographically bounded cluster with the LDA operating through its sector programmes to develop the relevant London cluster; targeting activities at support services, higher education/further education, supply chains and social infrastructure as well as the sector itself. The LDA is less concerned over what to call its support than what we need to do to develop London's businesses to foster their growth and remove constraints.

This report is the first detailed pan-London assessment of sectors, examining all London's sectors across a common data and analysis framework and helping to set the framework for LDA sector intervention.

The report has confirmed the sectors for LDA intervention: tourism & leisure, creative industries, production industries, ICT, life sciences, environmental and public sector.

The research also identified important information including:

- Sectors that are over and under-represented by ethnic group
- Sector multipliers/linkages
- In-commuting associated with higher productivity
- Best practice from the UK and overseas.



# CONTENTS






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# EXECUTIVE SUMMARY

In July 2002 the London Development Agency (LDA) appointed a KPMG-led team to analyse London's sectors in terms of their key economic characteristics. This analysis included employment levels and change; self employment; workforce qualifications; commuting; aspects of social inclusion as measured by composition of the workforce and multiplier effects on the London economy.

The key points are as follows:

- London's biggest employment sectors are the financial services, creative industries and transport and logistics. London's six biggest sectors account for about 50% of measured employment
- London's sectors are relatively productive in comparison to the UK average. Output per head is greatest in utilities, real estate and financial services
- The sectors that have grown fastest in percentage terms in the five years to 2000 are ICT, professional services and creative
- The sectors that are growing the fastest in the five years since 2000 are ICT, health, and food and drink
- Different sectors have different multiplier effects on the rest of the London economy. However, individual sector multipliers do not reflect the extent of a sector's contribution to the regional economy. If you adjust multipliers for a sector's employment size, it is clear that London's largest sectors contribute the greatest to the regional economy
- Aspects of social inclusion can be reviewed using a sector approach. Sectors such as the charity and voluntary sector, social work and retail employ more individuals from the black and minority ethnic (BME) community than would otherwise be expected whilst construction, the life sciences and higher education and research employed fewer
- Manufacturing appears relatively concentrated in areas of particular need such as the Lower Lee Valley, Wandle Valley, Park Royal and the East Thames
- Central London has relative concentrations of highly productive service sectors such as the creative industries, real estate and financial services. The north and south have relatively high concentrations in retail and construction; the west has a very high concentration of transport and logistics activity. Nearly one in four jobs in the east are in the financial services sector, reflecting the growth in Canary Wharf
- The City fringe and south of the Thames is becoming increasingly important for ICT, financial and business services.

**London Bioscience Innovation Centre**

# 1. INTRODUCTION

## 1.1 Scope and objectives of the report

In July 2002, the LDA appointed a KPMG -led team including Experian Business Strategies (EBS), Active Solutions and Tony Travers of the Greater London Group at the LSE to review London's sectors. The aim was to ensure that the LDA's sector focus best reflects London's economy.

The objectives of the study were:

- To map London's sectors in terms of key data and characteristics
- To determine the priority sectors for London
- To identify sectors for public sector intervention and future sectoral needs
- To determine the best sector opportunities to promote social inclusion.

This report presents the evidence base that resulted from the above study i.e. the data and analysis components. Documents such as the Mayor's Economic Development Strategy and the LDA's Corporate Plan show how this evidence base was used to formulate the LDA's sector policy.

## 1.2 Defining London's sectors

London's sectors were defined using two separate approaches, both based on the 1992 Standard Industrial Classification (SIC) system:

- The first approach defined sectors using the two-digit 1992 SIC classification to ensure that the analysis was comprehensive and that no sectors were omitted
- The second approach involved defining a set of sectors based on the four-digit 1992 SIC categories.

On balance it was felt that the second approach was more applicable to understanding London's sectors. The main arguments for using this approach are outlined in Appendix 1.

A total of 18 broad sectors were identified, of which five were broken down further into a number of sub-sectors: creative, financial services, food and drink, construction and life sciences. Table 1.1 sets out the sectors/sub-sectors used in this analysis. Appendix 1 provides a detailed breakdown of sector definitions that were used in this report using the 1992 SIC.



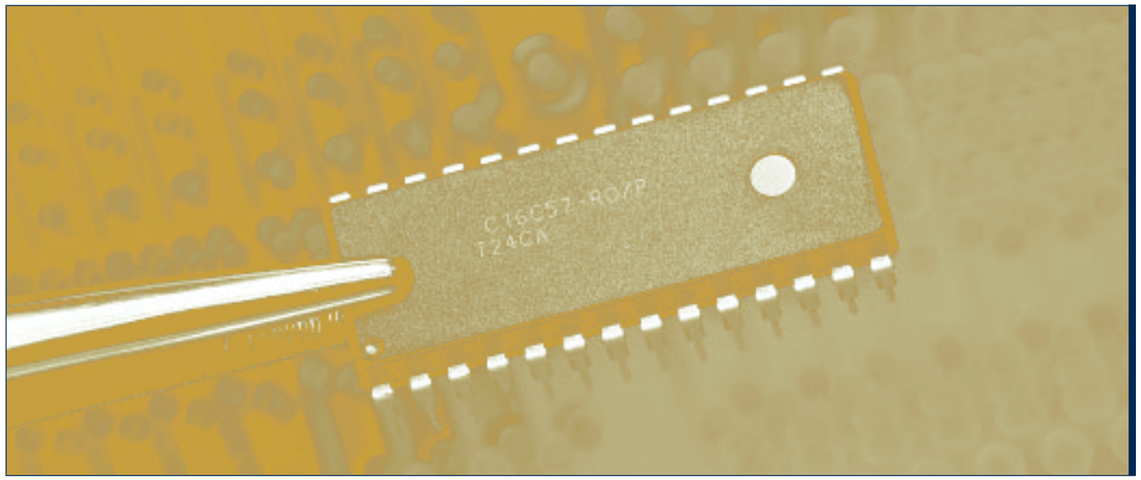



**Table 1.1: Sectors and sub-sectors**

| Name of sector | Sub-sector |
|---|---|
| Creative industries | Film, music and the visual & performing arts, architecture, publishing, computer games, software, electronic publishing, radio & TV, advertising, designer fashion, craft and art/antiques trade |
| Higher education | |
| Health | |
| Social work | |
| Tourism & leisure | |
| Utilities | |
| Professional services | |
| Financial services | City, non-City |
| Food & drink | Manufacturing, retail |
| ICT | |
| Environmental | |
| Construction | Domestic & housing, civil |
| Retail | |
| Transport | |
| Charity & voluntary work | |
| Life sciences | Biotechnology, pharmaceuticals, medical equipment |
| Manufacturing | |
| Real estate | |

Source: Experian Business Strategies/National Statistics

In using this approach to analyse London's economy, there are inevitably some areas of activity that are omitted. The omitted areas include:

- Agriculture and hunting: less than 2,000 employees
- Forestry: fewer than 500 employees
- Mining of coal, uranium and thorium ores, metal ores and extraction of crude; petroleum: around 4,200 employees
- Sale of motor vehicles: around 50,000 employees
- Renting machinery: 20,000 employees
- Primary and secondary education[1]
- Other service activities (e.g. dry cleaning, hairdressing): around 48,000 employees.

1 included in SIC 80

# 2. COMPARATIVE ANALYSIS OF LONDON'S SECTORS

## 2.1 Introduction

This chapter compares London's sectors with regards to employment, productivity, multiplier impact, commuting, social inclusion and sub-regional composition.

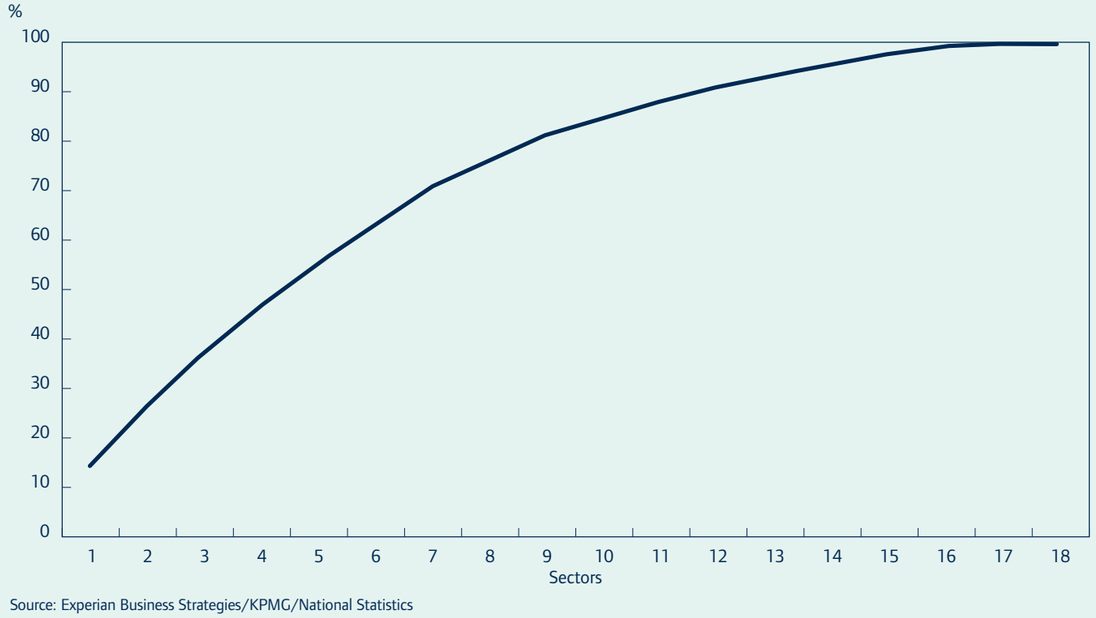
## 2.2 Employment and self employment

There are some 3.8 million employees in employment within the sectors identified. The largest sectors are:

1. Financial services
2. Creative
3. Transport and logistics
4. Retail
5. Professional services
6. Tourism and leisure
7. ICT
8. Health
9. Environment/green sector
10. Social work

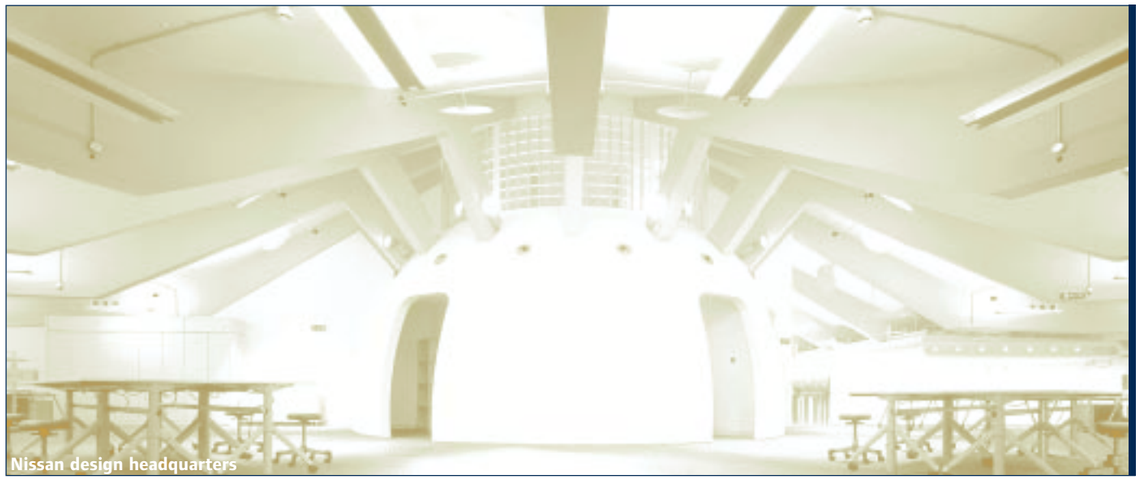
As Figure1.1 shows, employment is relatively concentrated in these sectors and the six largest sectors account for over half of measured employment.

**Figure 1.1: Cumulative employment (%) of functional sectors (2000)**




Source: Experian Business Strategies/KPMG/National Statistics



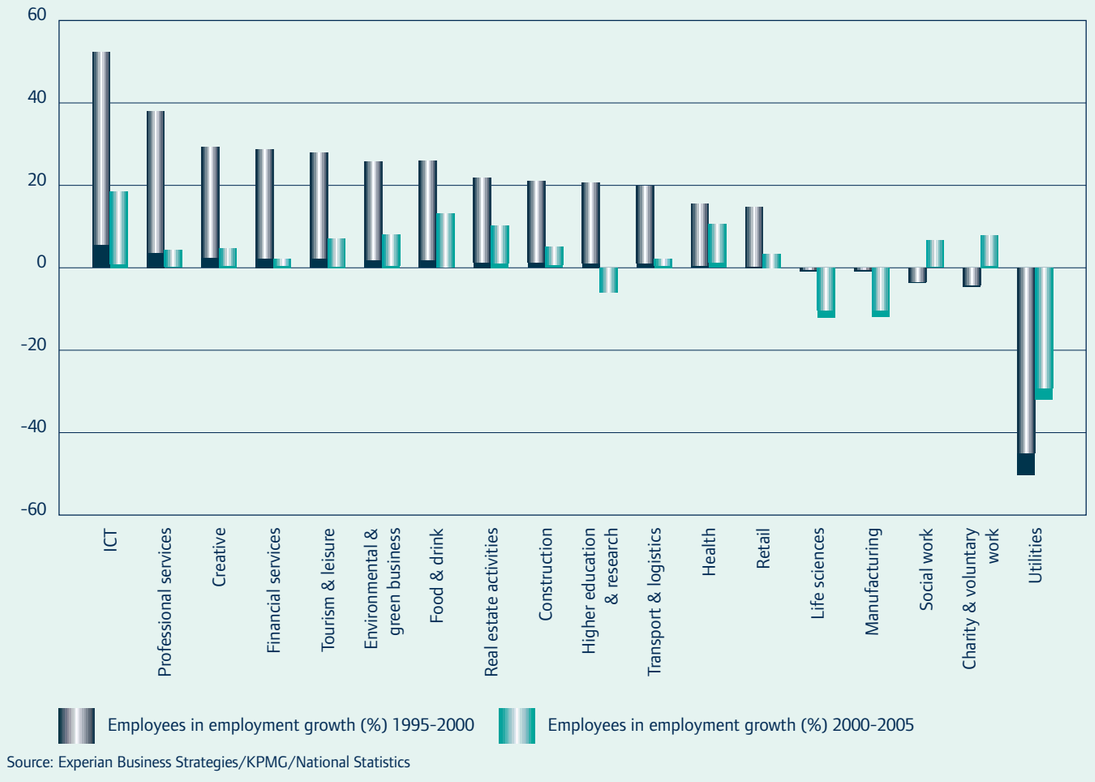

Nissan design headquarters

Employment in the sectors analysed is estimated to have increased by some 20% over the period 1995 to 2000. The ICT sector has grown by more than 50% making it London's fastest growing sector.

The majority of the sectors reviewed experienced growth in employment over the period 1995 to 2000 as shown in Figure 1.2. Employment fell marginally in the life science, manufacturing, social work, charity and voluntary sectors. Employment fell markedly in the utilities sector.

Employment is forecast to increase in the short term (2000-2005) in most sectors with the exception of higher education and research, life sciences, manufacturing and utilities.

**Figure 1.2: Employment change (1995-2000) and projected employment growth (2000-2005)**

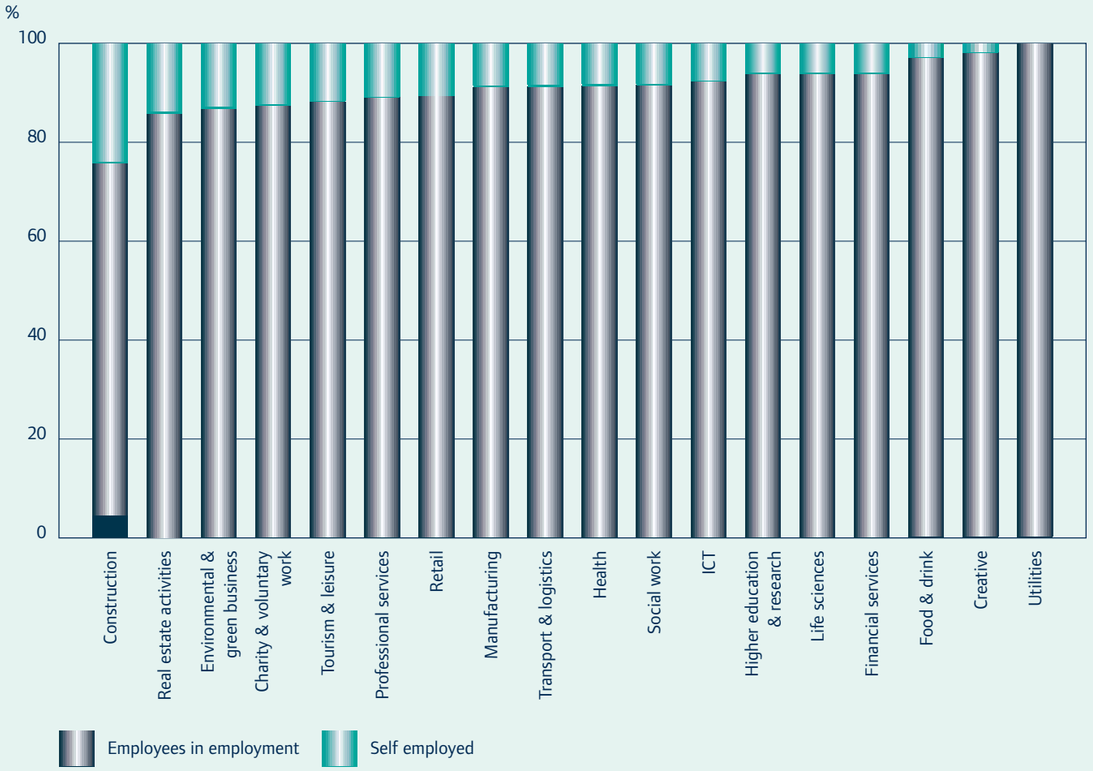



Source: Experian Business Strategies/KPMG/National Statistics

# 2. COMPARATIVE ANALYSIS OF LONDON'S SECTORS

There are a further 400,000 self-employed people across the 18 sectors analysed. The largest number is to be found in the tourism and retail sectors, although self-employment accounts for some 25% of all employment in the construction sector as shown in Figure 1.3. Self-employment accounts for over 10% of total employment in six other sectors: real estate, environmental services, charity and voluntary work, tourism, professional services and retail.

**Figure 1.3: Employment and self-employment as % of total employment (2000)**




Source: Experian Business Strategies/KPMG/National Statistics

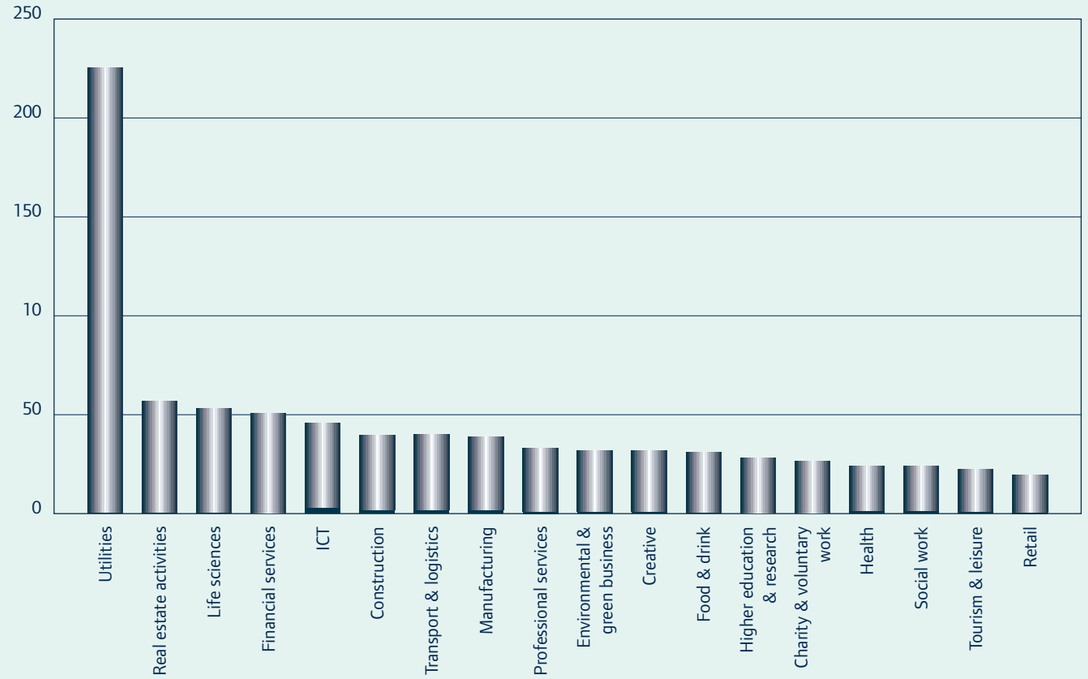


## 2.3 Productivity

As shown in Figure 1.4 the most productive sectors (in terms of output per employee) are utilities, real estate, financial services, life sciences and ICT. The utilities sector is a bit of a statistical anomaly in terms of output per head, resulting more from the capital intensive nature of the industry than the inherent productivity of the workforce.

The largest sectors in terms of gross output are financial services (some £27 billion in 1995 prices), transport and logistics (£16 billion), the creative industries (£15 billion), professional services (£10 billion), ICT (£9 billion) and tourism and leisure (£7billion).

**Figure1.4: Output per head by sector (1995 prices)**




Source: Experian Business Strategies/KPMG/National Statistics

# 2. COMPARATIVE ANALYSIS OF LONDON'S SECTORS

Figure 1.5 compares each sector's relative size (in terms of employment), productivity (measured as output per worker) and recent employment change (measured over the period 1995-2000). The diagram is dissected by a vertical and a horizontal line which represent the median performance of the sectors analysed. The diagram is thus split into four separate segments enabling a comparative analysis of each sectors relative performance against the three indicators. The four segments are:

1 The top right segment enables the identification of sectors that have experienced relatively high employment growth and are relatively productive.

2 The bottom right segment enables the identification of sectors that have experienced relatively high employment growth but have relatively low levels of productivity.

3 The top left segment enables the identification of sectors that have experienced relatively low employment growth but have relatively high levels of productivity.

4 The bottom left segment enables the identification of sectors that have experienced relatively low employment growth and have relatively low productivity levels.

The absolute size of a given sector is reflected in the size of its circle.

Those sectors in the top right segment (i.e. both relatively productive and have experienced recent employment growth) include:

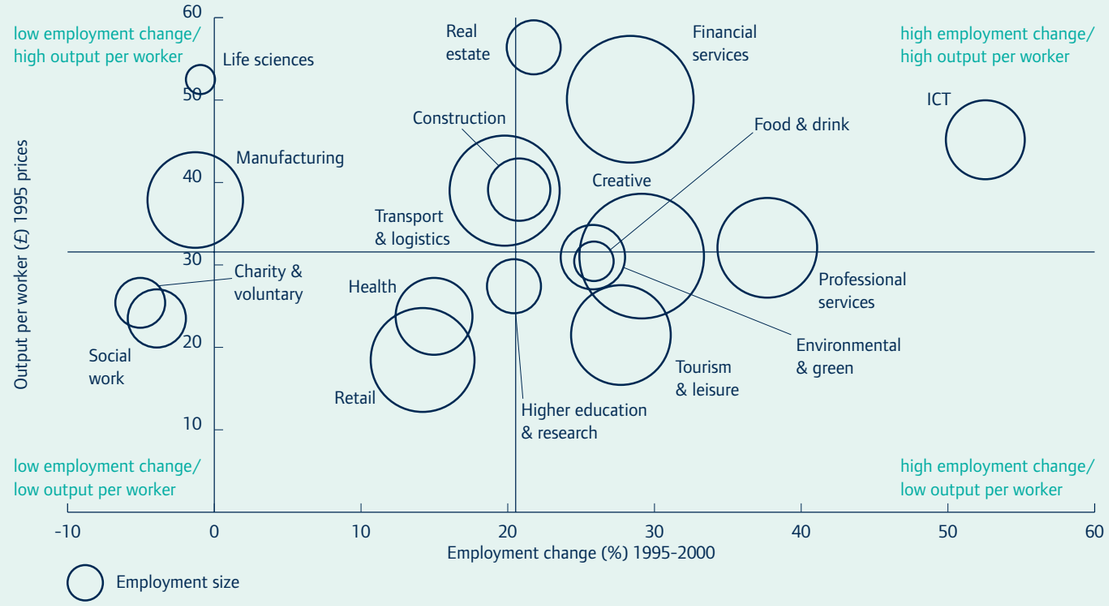
- Financial services
- Real estate activities
- ICT

Those sectors that appear to be relatively productive and to have witnessed employment growth in line with or above the average include:

- Creative
- Professional services
- Environmental and green
- Food and drink
- Construction
- Transport and logistics



**Figure 1.5: Sectors by size, recent employment change and productivity (2000)**




Source: Experian Business Strategies/KPMG/National Statistics

# 2. COMPARATIVE ANALYSIS OF LONDON'S SECTORS

**2.4 Relative importance to London's economy**

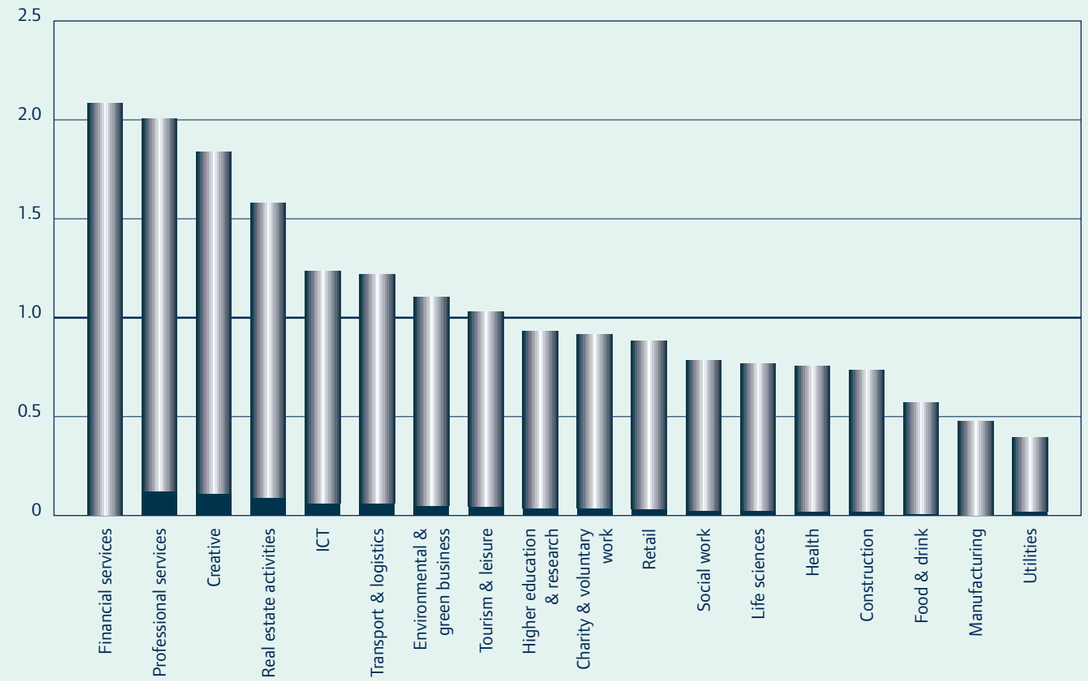
Location Quotients (LQs) measure the relative concentration of a sector in a given area relative to its concentration in Great Britain. An LQ of 1 means the sector is as important to the regional economy as it is to the GB economy. An LQ above 1 means it is relatively more important to the region than it is to GB. The higher the LQ, the greater the relevance of the sector to the regional economy relative to the GB average.

London's relative dominance in the creative and financial sectors is witnessed by their relatively high LQs as shown in Figure 1.6. Other sectors with LQs above 1 include:

- Real estate
- ICT
- Transport and logistics
- Tourism
- Environmental

Sectors with high LQs are relatively important to the London economy and hence any growth or decline in this sector would be magnified in the London context.

**Figure 1.6: Sector Location Quotients (2000)**




Source: Experian Business Strategies/KPMG/National Statistics

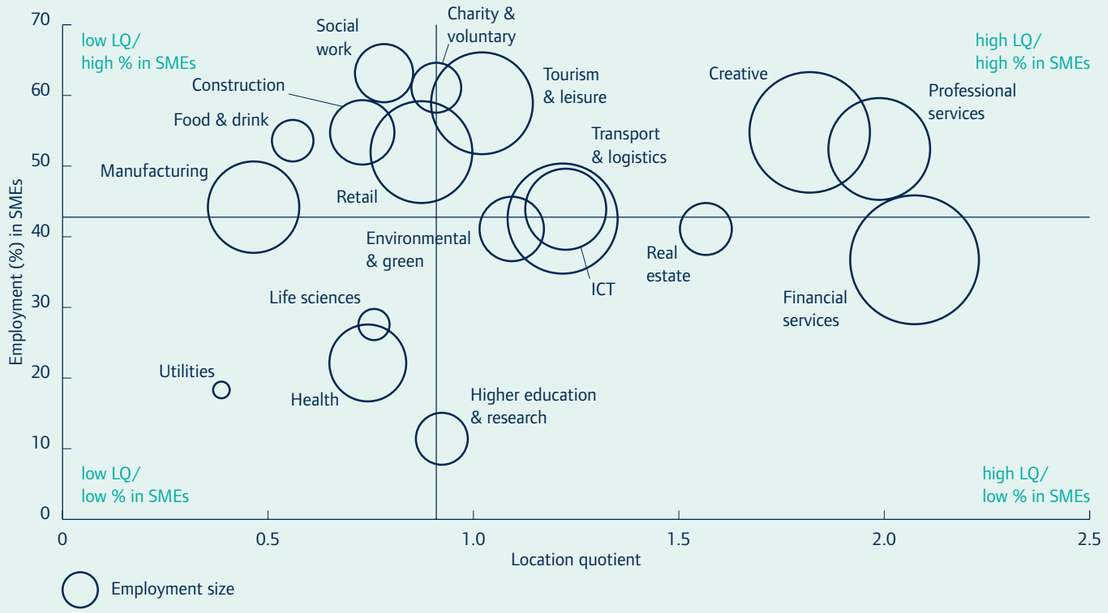


Figure 1.7 sets out for each sector its relative size, LQ and the proportion of its employment accounted for by small and medium sized enterprises (SMEs) (fewer than 50 employees). The figure is structured in the same way as Figure 1.5 and is separated into four segments.

Sectors with both a high LQ and a relatively high proportion of employment in SMEs (making them both important to the London economy but also potentially difficult to interact with) include:

- Tourism
- Creative industries
- Professional services

**Figure 1.7: Sectors by size, LQ and concentration of SMEs (2000)**




Source: Experian Business Strategies/KPMG/National Statistics

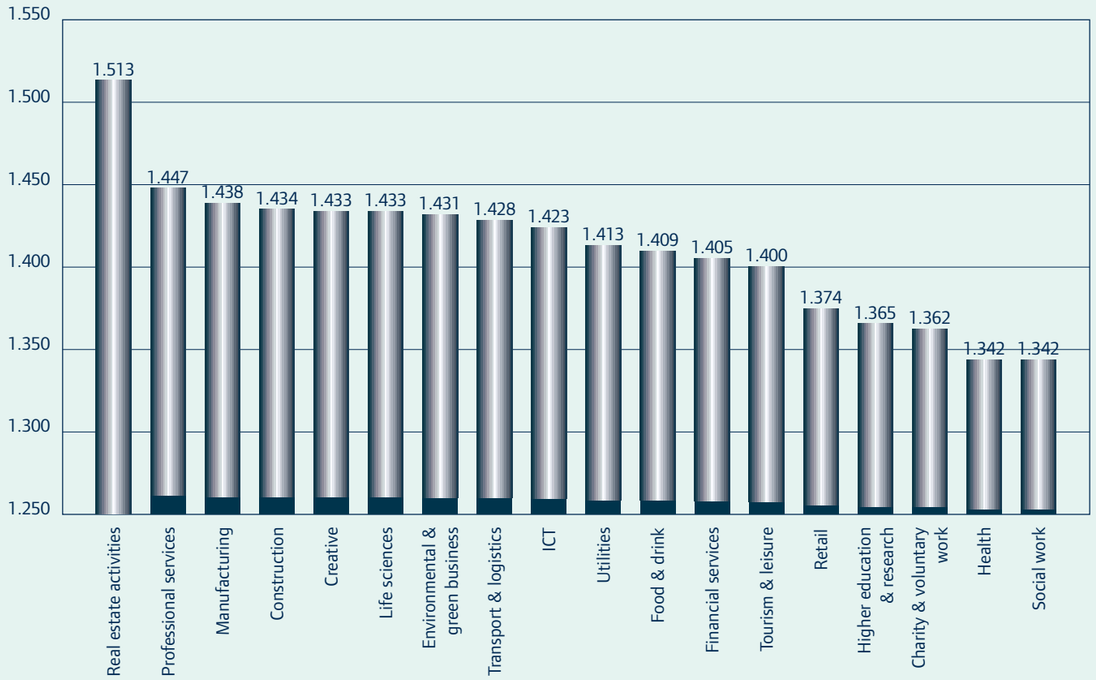
# 2. COMPARATIVE ANALYSIS OF LONDON'S SECTORS

## 2.5 Multiplier impact

Each sector in London has both a direct and indirect employment effect. Sectors employ workers directly within their organisations and indirectly through their expenditure, and that of their workforce, on goods and services. Estimates of the multiplier can therefore be used to assess the degree to which a sector is embedded within the London economy. Similarly if an additional job is created within a sector, the multiplier would enable a calculation of how many additional jobs would be created in other sectors within the region.

Quantifying the multiplier associated with a given sector in a region is difficult although it can be achieved through analysis of the National Input-Output tables. Figure 1.8 sets out the estimation of each of London's sectors individual multipliers. For example, for each job created in the real estate sector an additional 0.5 of a job will be created elsewhere in the regional economy. The lowest multiplier is associated with the social work sector.

**Figure 1.8: Sector multipliers (2000)**



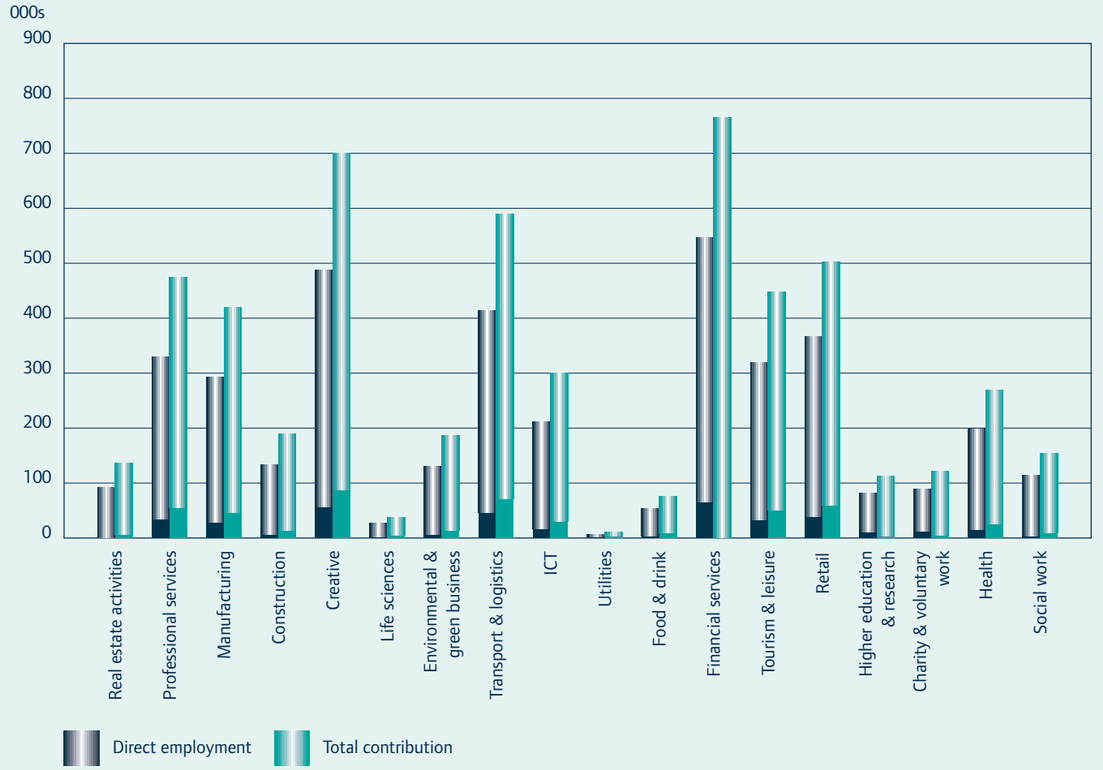

Source: Experian Business Strategies/KPMG



However, individual sector multipliers do not reflect the extent of a sector's contribution to the regional economy. Adjusting multipliers for a sector's employment size, as in Figure 1.9, enables a more complete picture to be drawn.

The largest sectors contribute the greatest to the London economy, with the financial services and creative industries contributing the most. Due to its relatively small employment numbers, the real estate sector, with the highest multiplier estimates actually contributes relatively little to the London economy when compared to the larger sectors.

**Figure 1.9: Sector contribution to the London economy (2000)**




Source: Experian Business Strategies/KPMG

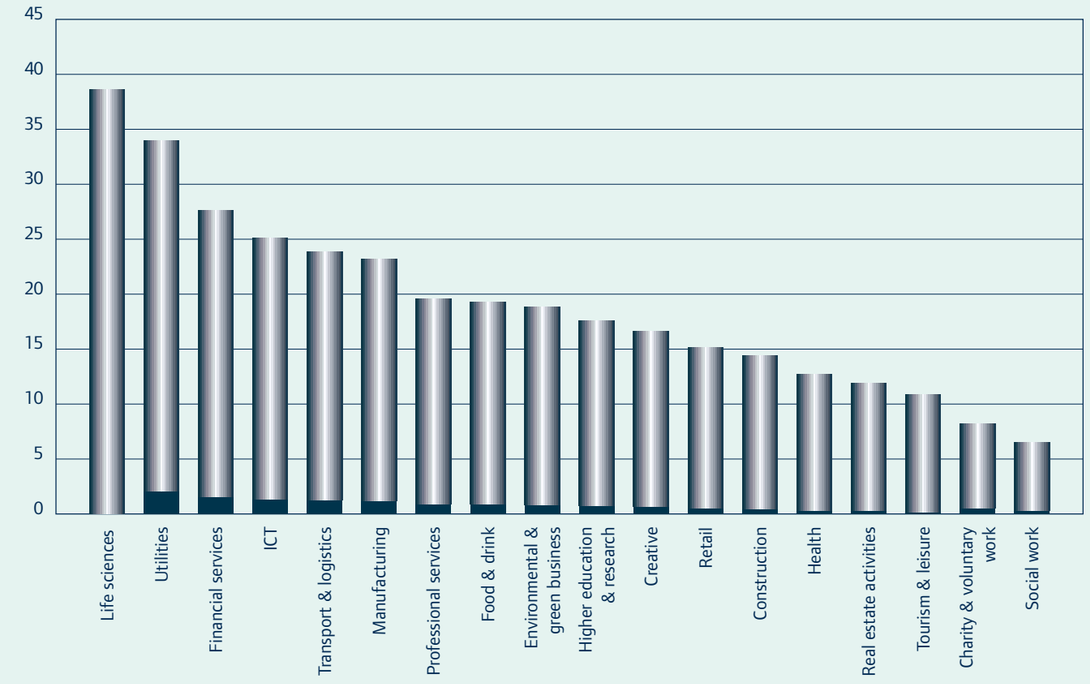
### 2.6 In-commuting

London attracts an estimated three-quarters of a million commuters into its economy on a daily basis. Its ability to attract commuters is often seen as a relative strength, reflecting the quality and range of employment available in the capital.

However, commuting does have its costs as well as its benefits. Commuting means that wealth created in London may be lost to other regions. Furthermore, resident Londoners may find it hard to compete for employment and commuters may be attracted to employment opportunities outside the capital, making London susceptible to increased competition for labour from prosperous areas in the south east such as the M4 and M11 corridors.

The degree to which commuters from outside London work in London's sectors varies by sector. Figure 1.10 sets out the percentage of employees by sector that commute into London. The sector with the highest commuting rate is life sciences (38%) followed by utilities (33%).

**Figure 1.10: Percentage of employees, by sector, who commute into London (2000)**




Source: Experian Business Strategies/KPMG/National Statistics



Figure 1.11 sets out for each sector its relative size, productivity and the proportion of its employment that commute from outside London. The figure is structured in the same way as Figure 1.5 and is separated into four segments.

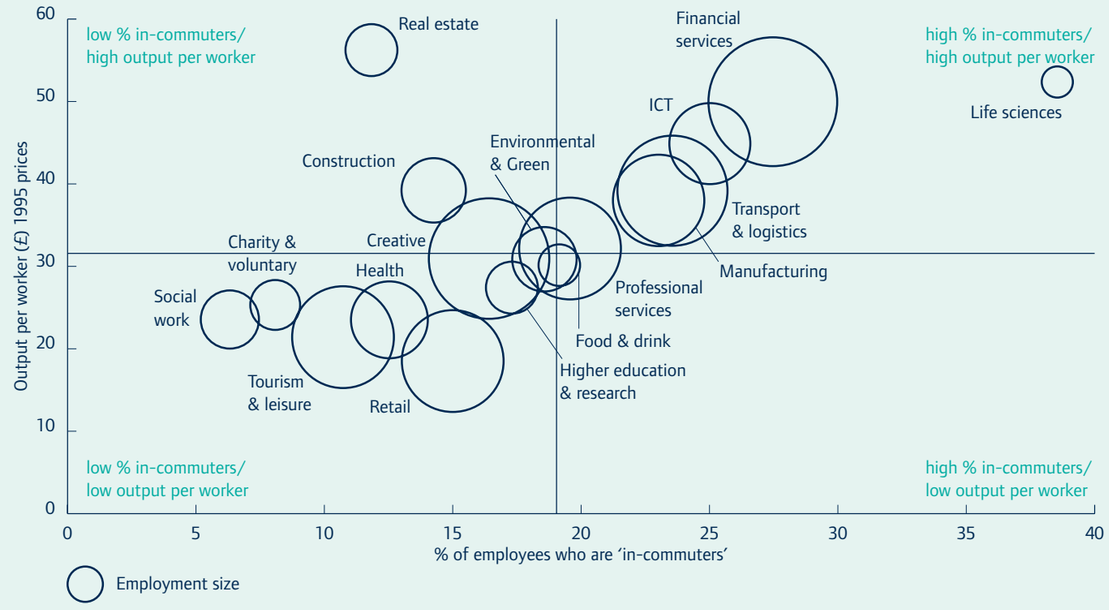
Those sectors that are productive and employ relatively more London residents than other sectors include:

- Construction
- Real estate
- Creative

There would appear to be a positive relationship between the proportion of in-commuters a sector employs and the average productivity of its workers: higher levels of in-commuting is associated with higher productivity. Without further research into this area it is difficult to explain fully why this is the case. However, there are likely to be a range of complex and inter-related reasons behind this situation, including:

- The relationship between productivity and commuting may be indirectly related to the trend for people to move into London at the beginning of their career and out of London as their family (and their productivity) grows
- It may be that as productivity and income increases the relative cost of commuting declines
- The mobility of labour being related to occupation. Researchers have shown that better educated individuals are more likely to travel further to work than their less well-educated colleagues.

**Figure 1.11: Sectors by size, productivity and in-commuting (2000)**




Source: Experian Business Strategies/KPMG/National Statistics

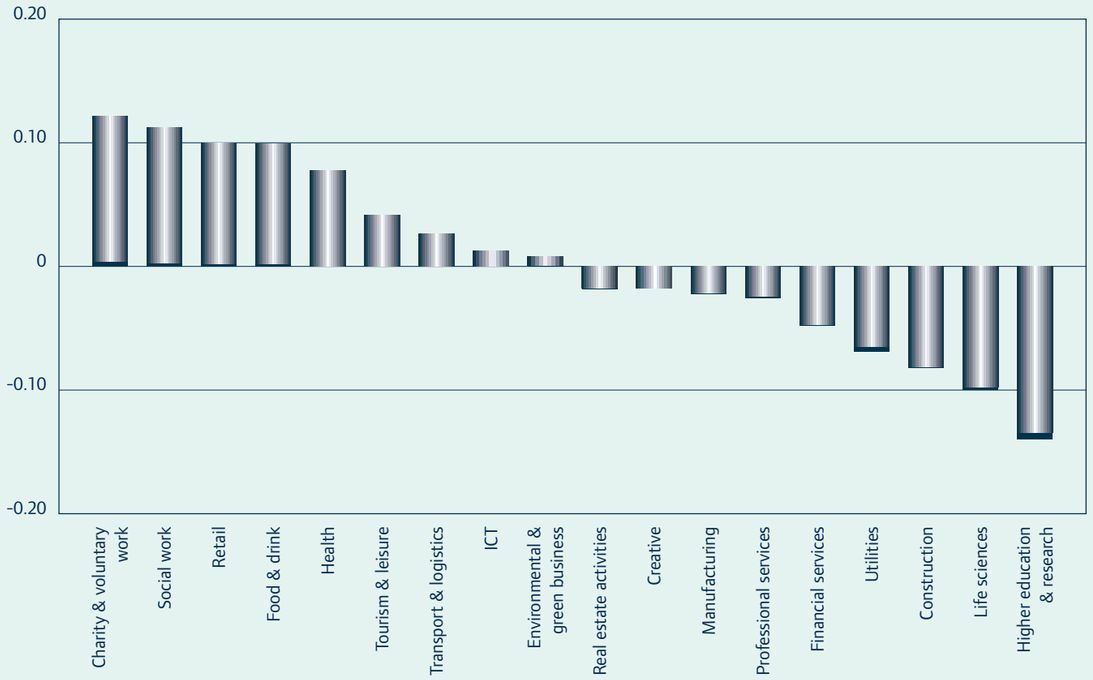
# 2. COMPARATIVE ANALYSIS OF LONDON'S SECTORS

## 2.7 Social inclusion

London is an ethnically diverse economy. However, some sectors are more likely to reflect this diversity than others. Figure 1.12 sets out an indicator developed by EBS to assess whether a sector can be considered to have relatively more or less workers from the BME community after taking into account what is known about the qualifications mix of that sector.

The figure presents relative rather than absolute figures. If a sector lies above zero it is considered to have a greater representation of workers from the BME community than would be expected given the skills mix of the sector. If a sector falls below zero then it is considered to have a lower representation.

**Figure 1.12: Employment by ethnicity (2000)**




Source: Experian Business Strategies/KPMG/National Statistics

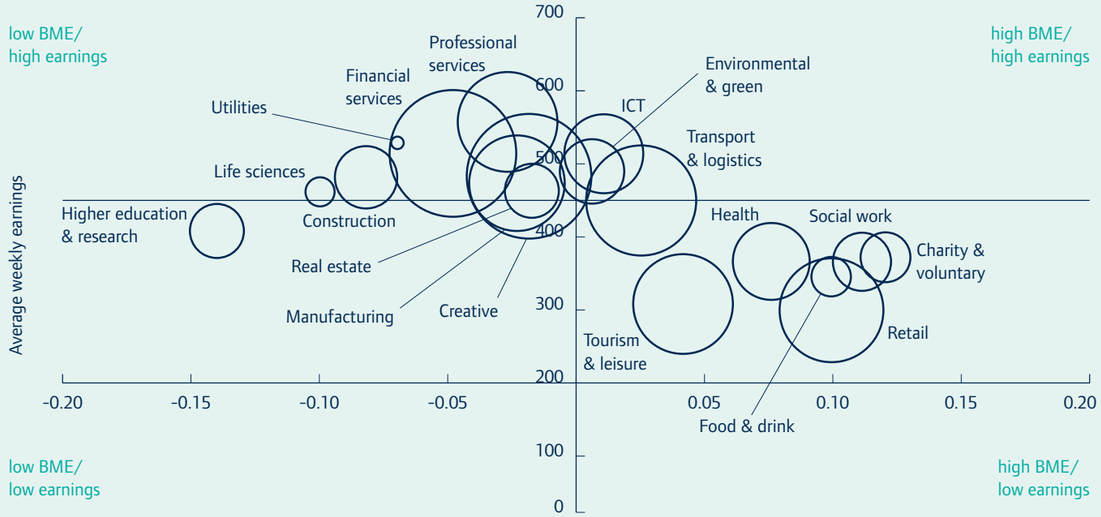


Higher education and research, the creative sector, life sciences and the manufacturing sector have lower representations of BME workers than would be expected.

Figure 1.13 sets out for each sector its relative size, average weekly earnings and the BME representation in its workforce.

There would appear to be a relationship between earnings and BME workforce composition such that high pay sectors do not generally employ as many BME individuals as would be expected given their skills mix.

**Figure 1.13: Sectors by size, BME workforce composition and pay (2000)**




Source: Experian Business Strategies/KPMG/National Statistics

# 2. COMPARATIVE ANALYSIS OF LONDON'S SECTORS

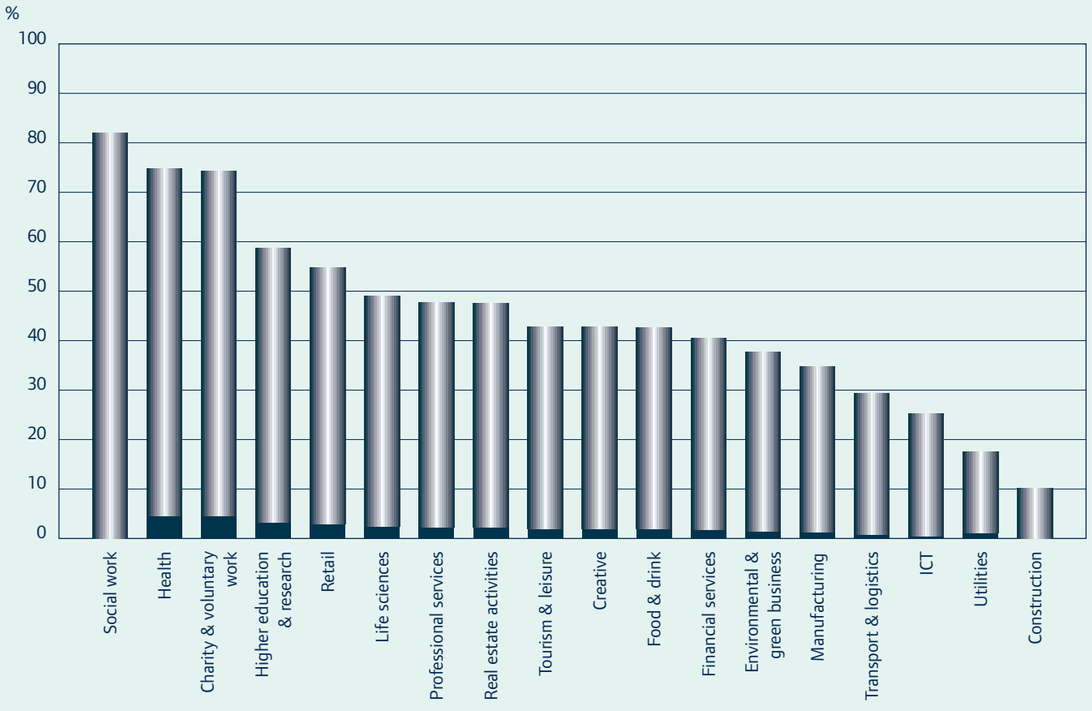
Assessing gender composition is more straightforward. Figure 1.14 shows the percentage of each sectors workforce that are women.

Again sectors with relatively high levels of female employment are also those whose average weekly earnings are relatively low. Sector-focused strategies to address inclusion of the BME community and gender imbalances in London's workforce could:

- Seek to promote the best practice exhibited by those sectors that appear to employ more women and people from the BME community than would be expected, notably the charity sector, social work, retail and health
- Seek to identify and address the barriers to employment faced by women and people from the BME community with regards to the utilities and construction sectors.

However, unless complementary actions to address issues of pay are undertaken any promotion of women and BME individuals in the workforce could further exacerbate this position.

**Figure 1.14: Employment by gender (2000)**




Source: Experian Business Strategies/National Statistics



## 2.8 Sub-regional employment

This section considers the nature and structure of London's sub-regional economies in order to better understand:

- Differences in the sectoral composition of employment by sub-region
- Relative specialisation across London's key sectors by sub-region.

The analysis was undertaken at the level of London's five Learning and Skills Councils (LSC). This was done to ease interpretation and presentation and to better align policy recommendations with key partners.

In 2000, there were more than four million people in employment in London. Table1.2 sets out the percentage distribution of employment in each of the five LSC areas in London.

**Table 1.2: LSC share of Greater London employment (2000)**

| Area | Borough definition | % of total GL employment |
|---|---|---|
| London West | Hillingdon<br>Harrow<br>Brent<br>Ealing<br>Hounslow<br>Hammersmith & Fulham | 17.3 |
| London Central | City of Westminster<br>Kensington & Chelsea<br>Lambeth<br>Wandsworth<br>Southwark<br>Camden<br>Islington | 36.6 |
| London North | Barnet<br>Enfield<br>Haringey<br>Waltham Forest | 8.2 |
| London East | Hackney<br>Redbridge<br>Havering<br>Barking & Dagenham<br>Newham<br>Tower Hamlets<br>City of London<br>Bexley<br>Greenwich<br>Lewisham | 25.1 |
| London South | Richmond upon Thames<br>Kingston upon Thames<br>Merton<br>Sutton<br>Croydon<br>Bromley | 12.7 |

Source: Experian Business Strategies/KPMG

# 2. COMPARATIVE ANALYSIS OF LONDON'S SECTORS

Table 1.3 presents the composition of employment in 2000 in each of the LSC areas and compares it with London as a whole.

**Table 1.3: Percentage of employment by sector in LSCs and London (2000)**

| LSC Area | West | Central | North | East | South | GL |
|---|---|---|---|---|---|---|
| Sector | % of employment | % of employment | % of employment | % of employment | % of employment | % of employment |
| Creative | 12.5 | 16.3 | 8.4 | 7.3 | 11.5 | 12.1 |
| Higher education & research | 1.3 | 3.3 | 1.3 | 1.2 | 1.6 | 2.1 |
| Health | 4.4 | 4.8 | 7.0 | 4.4 | 6.3 | 5.0 |
| Social work | 2.4 | 2.7 | 4.4 | 2.6 | 3.3 | 2.8 |
| Tourism & leisure | 6.7 | 10.7 | 7.2 | 4.8 | 8.1 | 7.9 |
| Utilities | 0.0 | 0.2 | 0.4 | 0.1 | 0.3 | 0.2 |
| Professional services | 5.5 | 10.5 | 4.2 | 8.9 | 6.2 | 8.2 |
| Financial services | 6.1 | 12.8 | 6.3 | 24.6 | 8.9 | 13.6 |
| Food & drink | 2.4 | 0.8 | 2.0 | 1.2 | 1.2 | 1.3 |
| ICT | 7.3 | 4.8 | 4.5 | 4.4 | 5.7 | 5.2 |
| Environmental & green business | 2.7 | 4.4 | 2.3 | 2.2 | 3.2 | 3.2 |
| Construction | 4.1 | 1.7 | 5.2 | 3.3 | 5.3 | 3.3 |
| Retail | 9.1 | 8.7 | 12.2 | 6.8 | 12.9 | 9.1 |
| Transport & logistics | 19.3 | 8.4 | 10.1 | 7.7 | 8.6 | 10.3 |
| Charity & voluntary work | 1.9 | 2.4 | 2.7 | 1.9 | 2.3 | 2.2 |
| Life sciences | 1.6 | 0.4 | 0.7 | 0.3 | 0.7 | 0.7 |
| Manufacturing | 8.9 | 5.1 | 9.3 | 8.2 | 8.0 | 7.2 |
| Real estate | 1.4 | 3.2 | 2.1 | 1.7 | 1.5 | 2.2 |
| % of all employment[2] | 97.6 | 101.2 | 100.4 | 91.7 | 95.5 | 96.6 |

Source: Experian Business Strategies/KPMG

2 Sectors analysed do not cover all London's employment



Table 1.4 presents the percentage distribution of employment in each sector across the five LSC areas and the respective LQs. Shaded cells indicate an LQ above 1, which shows a relative over-concentration of activity in that area.

Table 1.3 and Table 1.4 show that the creative and higher education sectors are relatively concentrated in the central LSC area, as are tourism, professional services and the environment sector. Health and social work are relatively concentrated in the northern LSC area, as are the utilities sector, construction, retail and manufacturing.

Food and drink is relatively concentrated in the western LSC area as are the ICT sector, transport and logistics, manufacturing and life sciences.

The eastern area has a relatively high concentration in the financial services sector whilst construction, utilities and retail are relatively concentrated in the southern LSC area.

**Table 1.4 Employment distribution and LQs by area (2000)**

| LSC Area | West | | Central | | North | | East | | South | |
|---|---|---|---|---|---|---|---|---|---|---|
| Sector | % of employment | LQ | % of employment | LQ | % of employment | LQ | % of employment | LQ | % of employment | LQ |
| Creative | 17.8 | 1.0 | 49.3 | 1.3 | 5.7 | 0.7 | 15.1 | 0.6 | 12.1 | 0.9 |
| Higher education & research | 11.2 | 0.6 | 58.7 | 1.6 | 5.3 | 0.6 | 15.1 | 0.6 | 9.8 | 0.8 |
| Health | 15.2 | 0.9 | 35.1 | 1.0 | 11.6 | 1.4 | 21.9 | 0.9 | 16.1 | 1.3 |
| Social work | 14.4 | 0.8 | 34.6 | 0.9 | 12.8 | 1.5 | 23.4 | 0.9 | 14.8 | 1.2 |
| Tourism & leisure | 14.6 | 0.8 | 49.6 | 1.4 | 7.5 | 0.9 | 15.2 | 0.6 | 13.0 | 1.0 |
| Utilities | 4.4 | 0.3 | 41.7 | 1.1 | 20.6 | 2.5 | 11.5 | 0.5 | 21.9 | 1.7 |
| Professional services | 11.7 | 0.7 | 47.2 | 1.3 | 4.2 | 0.5 | 27.3 | 1.1 | 9.6 | 0.8 |
| Financial services | 7.8 | 0.5 | 34.6 | 0.9 | 3.8 | 0.5 | 45.5 | 1.8 | 8.3 | 0.7 |
| Food & drink | 31.9 | 1.8 | 21.2 | 0.6 | 12.5 | 1.5 | 23.1 | 0.9 | 11.2 | 0.9 |
| ICT | 24.1 | 1.4 | 33.5 | 0.9 | 7.2 | 0.9 | 21.3 | 0.8 | 13.9 | 1.1 |
| Environmental & green business | 14.5 | 0.8 | 50.1 | 1.4 | 5.9 | 0.7 | 17.0 | 0.7 | 12.5 | 1.0 |
| Construction | 21.7 | 1.3 | 19.4 | 0.5 | 13.1 | 1.6 | 25.1 | 1.0 | 20.7 | 1.6 |
| Retail | 17.3 | 1.0 | 34.9 | 1.0 | 11.1 | 1.3 | 18.7 | 0.7 | 18.0 | 1.4 |
| Transport & logistics | 32.6 | 1.9 | 30.0 | 0.8 | 8.1 | 1.0 | 18.7 | 0.7 | 10.6 | 0.8 |
| Charity & voluntary work | 15.0 | 0.9 | 39.6 | 1.1 | 10.0 | 1.2 | 22.2 | 0.9 | 13.2 | 1.0 |
| Life sciences | 41.8 | 2.4 | 23.1 | 0.6 | 8.8 | 1.1 | 13.1 | 0.5 | 13.1 | 1.0 |
| Manufacturing | 21.3 | 1.2 | 25.7 | 0.7 | 10.6 | 1.3 | 28.4 | 1.1 | 14.1 | 1.1 |
| Real estate | 11.1 | 0.6 | 53.3 | 1.5 | 7.9 | 1.0 | 19.2 | 0.8 | 8.4 | 0.7 |
| Total employment (000s) | 694.6 | | 1468.3 | | 330.5 | | 1005.9 | | 510.1 | |
| % employment | 17.33 | | 36.62 | | 8.24 | | 25.09 | | 12.72 | |

Source: Experian Business Strategies/KPMG

Laban: Contemporary dance centre – Deptford Creekside. Supported by the LDA as part of its commitment to the creative sector in London

## 2.9 National comparisons

The following section sets out a selection of the data collected for each London sector and compares it with the UK. An analysis of this data and discussion of the wider issues facing each sector is set out in Chapter 3 of this report.

Table 1.5 sets out the data for London's sectors and Table 1.6 the data for the UK's sectors. There are a number of interesting observations to be made based on analysis of these two tables:

- London is home to a quarter of the UK's creative sector with relative concentrations of employment in film, music, publishing, radio and TV and advertising
- More than one in eight people employed in the UK's higher education and research, health and social work sectors work in London. Whilst nearly one in five people employed in the UK's tourism and leisure sector work in London
- The financial and business services sectors are when combined the largest area of economic activity in London. Nearly one in three of UK employment in this sector is located in London
- Compared to the UK average London has relatively few employees in a number of sectors including construction and manufacturing
- London's employees hold, on average, higher qualifications than the UK average and are more productive
- Employment in London's sectors is forecast to increase in line with or better than the UK average.

# 2. COMPARATIVE ANALYSIS OF LONDON'S SECTORS

**Table 1.5: Selected data on London's sectors (2000 unless otherwise stated)**

| Sector | Sub-sector | Employees (000s) | Self employed (000s) | Employee change (1995-2000) | Employee forecast (2000-2005) | Location quotient | Productivity per worker | Average NVQ level | Percentage of employees who are: Disabled | Women | Aged 16-24 | BME quotient |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Creative | | 486,670 | 10,300 | 28.8% | 4% | 1.8 | £30,880 | 3.1 | 8.1% | 41.4% | 15.2% | -0.018 |
| | Film | 17,670 | 6,175 | 33.4% | 18.1% | 2.9 | £34,490 | 3.1 | 3.4% | 48% | 24.2% | -0.083 |
| | Music | 54,904 | 16,975 | 19.3% | 12.4% | 2 | £33,995 | 3.1 | 9.4% | 37.9% | 8.9% | -0.064 |
| | Publishing | 65,245 | 7,249 | 15.9% | -4.7% | 2.5 | £35,244 | 3.4 | 6.1% | 46.1% | 11.1% | -0.141 |
| | Computer games etc | 60,674 | 7,483 | 71.4% | 7.9% | 1.4 | £32,028 | 3.5 | 8.2% | 21.4% | 11.4% | -0.193 |
| | Radio & TV | 34,844 | 13,270 | 20.7% | 17.1% | 3.2 | £34,390 | 3.5 | 8.4% | 38.8% | 12.2% | 0.288 |
| | Advertising | 36,921 | 4,561 | 45.5% | 3.9% | 2.5 | £32,011 | 3 | 5.3% | 39.8% | 21.4% | -0.233 |
| | Designer fashion | 101,514 | 16,654 | 33.4% | 0.8% | 1.5 | £29,477 | 2.6 | 9.3% | 53.4% | 15.8% | 0.168 |
| | Craft | 4,964 | 2,091 | -13.9% | -10.3% | 0.4 | £27,943 | 1.7 | 6.2% | 43.2% | 12.1% | -0.046 |
| | Art & antiques | 52,863 | 6,173 | 22% | 2.9% | 1 | £18,380 | 2.2 | 11.7% | 52.9% | 30.3% | 0.1 |
| Higher education & research | | 82,200 | 5,517 | 20.3% | -6.2% | 0.9 | £27,282 | 3.6 | 8.4% | 56.8% | 7.1% | -0.14 |
| Health | | 199,453 | 19,029 | 14.8% | 10.2% | 0.7 | £23,421 | 3.2 | 10% | 72.3% | 5.2% | 0.076 |
| Social work | | 113,477 | 10,826 | -3.8% | 6.2% | 0.8 | £23,421 | 2.6 | 12.8% | 79.5% | 6.8% | 0.111 |
| Tourism & leisure | | 317,913 | 43,138 | 27.4% | 6.8% | 1.0 | £21,459 | 2.3 | 10.2% | 41.5% | 24.3% | 0.041 |
| Professional services | | 327,677 | 40,483 | 37.4% | 3.9% | 2 | £32,011 | 3.3 | 8.7% | 46.3% | 15.3% | -0.026 |
| Financial sector | | 544,542 | 35,500 | 28.1% | 1.4% | 2.1 | £49,810 | 3.0 | 6.4% | 39.3% | 12.6% | -0.047 |
| | City | 307,035 | 20,041 | 23.8% | 1.7% | 2.9 | £57,226 | 2.9 | 5.6% | 38.4% | 9% | -0.046 |
| | Non-city | 237,507 | 15,503 | 34.3% | 0.9% | 1.6 | £40,222 | 3.2 | 7.9% | 43.7% | 19.8% | -0.083 |
| ICT | | 209,558 | 10,300 | 52% | 18.4% | 1.2 | £44,881 | 3.2 | 7.6% | 24.2% | 10.8% | 0.011 |
| Environmental & green business | | 129,294 | 20,009 | 25.6% | 7.4% | 1.1 | £30,985 | 3.1 | 8.7% | 36.3% | 12.3% | 0.006 |
| Life sciences | | 26,172 | 1,749 | -0.9% | -12.2% | 0.8 | £52,375 | 3.5 | 3.7% | 47.4% | 15.2% | -0.099 |
| Manufacturing | | 290,306 | 28,900 | -1.3% | -11.2% | 0.5 | £37,991 | 2.6 | 10.1% | 33.5% | 9.9% | -0.022 |
| Utilities | | 6,699 | 27 | -50.3% | -32.3% | 0.4 | £224,698 | 2.9 | 13.2% | 16.7% | 6.1% | -0.069 |
| Retail | | 364,391 | 42,550 | 14.1% | 7.4% | 0.9 | £18,380 | 2.2 | 11.7% | 52.9% | 30.3% | 0.1 |
| Transport & logistics | | 412,439 | 40,617 | 19.4% | 2.6% | 1.2 | £39,061 | 2.6 | 10.9% | 28.3% | 9.5% | 0.026 |
| Charity & voluntary work | | 88,374 | 12,808 | -4.8% | 1.7% | 0.9 | £25,324 | 2.7 | 15% | 72% | 8.9% | 0.121 |
| Food & drink | | 52,419 | 1,700 | 25.5% | 12.6% | 0.6 | £30,327 | 2.2 | 15.1% | 41.3% | 18.7% | 0.099 |
| Construction | | 131,571 | 42,900 | 20.6% | 4.5% | 0.7 | £39,062 | 2.2 | 11.4% | 9.6% | 10.8% | -0.082 |
| Real estate | | 88,611 | 14,900 | 21.5% | 9.6% | 1.6 | £56,182 | 2.8 | 12.1% | 46% | 10.5% | -0.017 |

Source: Experian Business Strategies/KPMG

# 2. COMPARATIVE ANALYSIS OF LONDON'S SECTORS

**Table 1.6: Selected data on the UK's sectors (2000 unless otherwise stated)**

| Sector | Sub-sector | Employees (000s) | Self employed (000s) | Employee change (1995-2000) | Employee forecast (2000-2005) | Location quotient | Productivity per worker | Average NVQ level | Percentage of employees who are: Disabled | Women | Aged 16-24 | BME quotient |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Creative | | 1,913,624 | 321,100 | 9.8% | 2.3% | 1.0 | £23,831 | 2.2 | 11.6% | 36.3% | 12.2% | 0.016 |
| | Film | 37,712 | 12,338 | 27% | 12.4% | 1.0 | £26,416 | 2.3 | 10.1% | 47.1% | 27.8% | 0.004 |
| | Music | 170,762 | 50,635 | 12.3% | 8.7% | 1.0 | £25,780 | 2.2 | 14.4% | 37.5% | 12.3% | 0.002 |
| | Publishing | 159,540 | 13,536 | 14.7% | -0.2% | 1.0 | £35,486 | 2.9 | 10.6% | 48.6% | 15.8% | -0.027 |
| | Computer games etc | 264,790 | 43,923 | 60.9% | 10.4% | 1.0 | £24,513 | 3.0 | 11.2% | 21.2% | 9% | -0.043 |
| | Radio & TV | 67,980 | 23,634 | 26.6% | 13% | 1.0 | £25,648 | 1.9 | 10.0% | 43.8% | 12.3% | 0.009 |
| | Advertising | 91,385 | 15,226 | 38.3% | 6.6% | 1.0 | £24,424 | 3 | 9.1% | 42.5% | 16.4% | 0.009 |
| | Designer fashion | 422,723 | 62,386 | -0.1% | -5.7% | 1.0 | £23,243 | 1.8 | 13.1% | 56.3% | 14.8% | 0.074 |
| | Craft | 71,306 | 7,743 | -4.7% | -16.1% | 1.0 | £25,888 | 1.9 | 15.2% | 53.8% | 8.2% | -0.029 |
| | Art & antiques | 334,855 | 42,955 | 12.3% | 7.5% | 1.0 | £15,662 | 1.9 | 12.1% | 30.1% | 12.2% | 0.021 |
| Higher education & research | | 552,104 | 32,023 | 16.6% | 2.9% | 1.0 | £21,994 | 3.4 | 11.2% | 79.1% | 6.7% | 0.003 |
| Health | | 1,662,036 | 140,015 | 4.8% | 10.% | 1.0 | £18,027 | 3.0 | 11.4% | 84.1% | 7.1% | 0.028 |
| Social work | | 906,027 | 76,327 | 2.3% | 9.1% | 1.0 | £18,027 | 2.0 | 15.8% | 55% | 9.2% | 0.005 |
| Tourism & leisure | | 1,935,168 | 287,258 | 16% | 6.5% | 1.0 | £16,640 | 2.1 | 11.1% | 55.5% | 35.5% | 0.005 |
| Professional services | | 1,018,952 | 169,773 | 27.4% | 5.2% | 1.0 | £24,424 | 3.1 | 9.9% | 50.1% | 13.1% | 0.0011 |
| Financial sector | | 1,628,770 | 155,171 | 16.8% | 3.6% | 1.0 | £38,992 | 2.9 | 9% | 46.9% | 16.9% | 0.01 |
| | City | 679,446 | 50,900 | 23.7% | 5.6% | 1.0 | £44,548 | 2.8 | 8.6% | 48.9% | 14% | 0.001 |
| | Non-city | 949,324 | 104,300 | 12.3% | 2.2% | 1.0 | £35,015 | 3 | 9.7% | 53.1% | 17.2% | 0.007 |
| ICT | | 1,060,701 | 102,007 | 39% | 9.4% | 1.0 | £40,392 | 2.9 | 9.6% | 26% | 12.2% | 0.009 |
| Environmental & green business | | 733,080 | 130,549 | 3.4% | 3.3% | 1.0 | £25,450 | 2.6 | 11.3% | 40.3% | 9.4% | -0.004 |
| Life sciences | | 222,724 | 15,572 | 4.7% | -4.7% | 1.0 | £48,651 | 3.0 | 9.5% | 40.9% | 8.3% | -0.027 |
| Manufacturing | | 3,842,695 | 252,945 | -3.% | -9.1% | 1.0 | £36,873 | 2.3 | 11.6% | 25.9% | 11.2% | -0.013 |
| Utilities | | 106,946 | 3,716 | -39.3% | -19.7% | 1.0 | £158,706 | 2.9 | 6.7% | 27.5% | 14.2% | -0.022 |
| Retail | | 2,583,813 | 331,448 | 9% | 8.2% | 1.0 | £15,662 | 1.9 | 12.2% | 60.3% | 28% | 0.021 |
| Transport & logistics | | 2,159,618 | 211,577 | 11.2% | -1.1% | 1.0 | £33,200 | 2.0 | 11.9% | 23.5% | 9.3% | 0.010 |
| Charity & voluntary work | | 602,896 | 86,093 | -1.0% | 8.1% | 1.0 | £19,720 | 2.0 | 15.8% | 79.5% | 9.8% | 0.010 |
| Food & drink | | 640,417 | 35,600 | 4.1% | 0.9% | 1.0 | £30,700 | 2.2 | 11.6% | 31.6% | 12.9% | 0.016 |
| Construction | | 1,127,391 | 647,786 | 12.9% | 6.7% | 1.0 | £31,531 | 2.3 | 11.7% | 9.5% | 12.2% | -0.031 |
| Real estate | | 350,041 | 39,600 | 19.6% | 9.4% | 1.0 | £42,813 | 2.7 | 12.4% | 53.1% | 9.1% | 0.006 |

Source: Experian Business Strategies/KPMG

# 3 CHARACTERISTICS OF LONDON'S SECTORS

### 3.1 Introduction

This chapter examines the key characteristics of individual sectors – and their sub-sectors – in London. The analysis includes information on rates of employment and self-employment, productivity, educational attainment and BME composition.

Maps of the spatial distribution of employment for each of the sectors and sub-sectors can be found in Appendix 2.

### 3.2 Creative industries

The creative sector includes the following sub-sectors: film; music and visual and performing arts; architecture; publishing; computer games, software, electronic publishing; radio and TV; advertising; designer fashion; craft; and art/antiques trade. Table 2.1 (on pages 34-35) shows the key data on the sector and sub-sector.

London is home to more than a quarter of the UK's creative sector. There are relatively high concentrations of employment in the film, music, publishing, radio and TV, and advertising sectors as witnessed by their high LQs.

The creative industries in London differ from the creative industries in the UK as a whole in a number of ways. The average NVQ level is generally higher, as is the productivity per employee whilst the BME inclusivity is generally lower. London is very influential in the creative industries.

Publishing is the most productive creative sector. However, it is forecast to experience a contraction of employment of 5% in the short- to medium-term (2000-2005). The creative sector has grown by 28.8% during 1995-2000 but growth is set to slow in the short- to medium-term to 4%. Designer fashion is the biggest sub-sector of creative industries and employs more BME employees than would be expected given its skill and occupational mix. However, it has a relatively less-skilled workforce (average NVQ level at 2.6) in comparison with other sub-sectors. Women are relatively well represented in the creative industries with sub-sectors such as film and publishing employing a relatively high percentage of women at 48% and 46.1% respectively.

The creative industries are relatively concentrated in central London with some spread out towards west London and south London. The film industry is highly concentrated around central London and in particular the creative hub of Soho. However, the production bases of Sky and the BBC are located in west London. Other sub-sectors, such as publishing, are relatively concentrated in central London including Wapping and Canary Wharf. The music industry, computer games and software, advertising, designer fashion, craft, arts and antiques and the radio and TV industry are all relatively concentrated in central and west London.

The designer fashion and craft sectors are unique within the creative sector since they include significant manufacturing activities. The definition of designer fashion[3] includes the manufacture of footwear, clothing, underwear and leather goods.

3 This is based on the DCMS definition



London Remade glass eco-site

#### Issues facing the creative industries sector

Finance in the creative industries can be difficult to acquire as the sector is heavily reliant on intellectual capital. This will restrict both the number of start-ups and the growth of existing businesses.

Advertising is closely linked to the business cycle, and hence can experience dramatic downturns. This volatility can make investment planning and growth difficult and can result in periods where there is relatively high unemployment in the region.

There is little if any training and education provided for the advertising industry. This may be due to the industry's financial pressures and employees may benefit from outside assistance.

The craft sector is under-capitalised and there is a general lack of management, marketing and entrepreneurial skills constricting its advancement.

There is a lack of overall investment in the designer fashion sector and there is also a lack of the key business and management skills needed to complement the creative expertise. This may prevent the London fashion houses competing as effectively as their overseas rivals.

In the film industry, the lack of control that UK production companies have over distribution is a huge barrier to entry. The large, vertically-integrated companies dominate the industry and inhibit the development of the UK's independent sector.

The computer games industry faces issues of inclusivity. As the audience for the games is largely male, the industry tends to employ a very narrow demographic. Furthermore, as production costs rise substantially, the barriers to entry into the industry rise concurrently.

The music industry faces a number of issues. These include difficulty in acquiring funding for small record companies and lack of commercial and business acumen.

Publishing is constrained by the high amount of VAT levied on electronic publishing. There is also a skills gap concerning business and intellectual property issues.

# 3 CHARACTERISTICS OF LONDON'S SECTORS

**Table 2.1: Key characteristics of the creative industries, London and the UK (2000 unless otherwise stated)**

| Sector | Sub-sector | Employees (000s) | Self employed (000s) | Employee change (1995-2000) | Employee forecast (2000-2005) | Location quotient | Productivity per worker | Average NVQ level | Percentage of employees who were: Disabled | Women | Aged 16-24 | BME quotient |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **London** | | | | | | | | | | | | |
| Creative | | 486,670 | 10,300 | 28.8% | 4% | 1.8 | £30,880 | 3.1 | 8.1% | 41.4% | 15.2% | -0.018 |
| | Film | 17,670 | 6,175 | 33.4% | 18.1% | 2.9 | £34,490 | 3.1 | 3.4% | 48% | 24.2% | -0.083 |
| | Music | 54,904 | 16,975 | 19.3% | 12.4% | 2 | £33,995 | 3.1 | 9.4% | 37.9% | 8.9% | -0.064 |
| | Publishing | 65,245 | 7,249 | 15.9% | -4.7% | 2.5 | £35,244 | 3.4 | 6.1% | 46.1% | 11.1% | -0.141 |
| | Computer games etc | 60,674 | 7,483 | 71.4% | 7.9% | 1.4 | £32,028 | 3.5 | 8.2% | 21.4% | 11.4% | -0.193 |
| | Radio & TV | 34,844 | 13,270 | 20.7% | 17.1% | 3.2 | £34,390 | 3.5 | 8.4% | 38.8% | 12.2% | 0.288 |
| | Advertising | 36,921 | 4,561 | 45.5% | 3.9% | 2.5 | £32,011 | 3 | 5.3% | 39.8% | 21.4% | -0.233 |
| | Designer fashion | 101,514 | 16,654 | 33.4% | 0.8% | 1.5 | £29,477 | 2.6 | 9.3% | 53.4% | 15.8% | 0.168 |
| | Craft | 4,964 | 2,091 | -13.9% | -10.3% | 0.4 | £27,943 | 1.7 | 6.2% | 43.2% | 12.1% | -0.046 |
| | Art & antiques | 52,863 | 6,173 | 22% | 2.9% | 1 | £18,380 | 2.2 | 11.7% | 52.9% | 30.3% | 0.1 |
| **UK** | | | | | | | | | | | | |
| Creative | | 1,913,624 | 321,100 | 9.8% | 2.3% | 1.0 | £23,831 | 2.2 | 11.6% | 36.3% | 12.2% | 0.016 |
| | Film | 37,712 | 12,338 | 27% | 12.4% | 1.0 | £26,416 | 2.3 | 10.1% | 47.1% | 27.8% | 0.004 |
| | Music | 170,762 | 50,635 | 012.3% | 8.7% | 1.0 | £25,780 | 2.2 | 14.4% | 37.5% | 12.3% | 0.002 |
| | Publishing | 159,540 | 13,536 | 14.7% | -0.2% | 1.0 | £35,486 | 2.9 | 10.6% | 48.6% | 15.8% | -0.027 |
| | Computer games etc | 264,790 | 43,923 | 60.9% | 10.4% | 1.0 | £24,513 | 3.0 | 11.2% | 21.2% | 9% | -0.043 |
| | Radio & TV | 67,980 | 23,634 | 26.6% | 13% | 1.0 | £25,648 | 1.9 | 10.0% | 43.8% | 12.3% | 0.009 |
| | Advertising | 91,385 | 15,226 | 38.3% | 6.6% | 1.0 | £24,424 | 3 | 9.1% | 42.5% | 16.4% | 0.009 |
| | Designer fashion | 422,723 | 62,386 | -0.1% | -5.7% | 1.0 | £23,243 | 1.8 | 13.1% | 56.3% | 14.8% | 0.074 |
| | Craft | 71,306 | 7,743 | -4.7% | -16.1% | 1.0 | £25,888 | 1.9 | 15.2% | 53.8% | 8.2% | -0.029 |
| | Art & antiques | 334,855 | 42,955 | 12.3% | 7.5% | 1.0 | £15,662 | 1.9 | 12.1% | 30.1% | 12.2% | 0.021 |

Source: Experian Business Strategies/KPMG/National Statistics

# 3 CHARACTERISTICS OF LONDON'S SECTORS

### 3.3 Public sector

The public sector is very important for London. It employs a large proportion of London's workforce and has immense spending capacity and influence on the local economy. The report focused on three sub-sectors: the health sector, the higher education sector and social work – which are all relatively evenly spread throughout Greater London. Table 2.2 shows the key data on the sector.

The private sector is increasingly becoming involved in the delivery of public services – especially in London's education and health sectors. Higher education, health and social work combined employs over 400,000 people in London, some 13% of the UK's total. The health sector is particularly important and has experienced growth in employment of 15% in the period 1995-2000. As the population in London expands, employment in the health sector is likely to expand with it, and growth is forecast at approximately 10% for the period 2000-2005. All three sectors are highly inclusive with the social work sub-sector having a 79% female workforce.

Employees in the higher education sector in London are relatively well qualified (average NVQ level of 3.6) and aggregate employment has grown by some 20% over the period 1995-2000 (compared to a UK average of 16.6%). The social work sector in London has witnessed declining employment, compared to an increase in the UK, although it is forecast to increase in the short term.

Higher education, health and social work are all relatively evenly spread throughout the Greater London region.

**Table 2.2: Key characteristics of the public sector, London and the UK (2000 unless stated)**

| Sector | Employees (000s) | Self employed (000s) | Employee change (1995-2000) | Employee forecast (2000-2005) | Location quotient | Productivity per worker | Average NVQ level | Percentage of employees who were: Disabled | Women | Aged 16-24 | BME quotient |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **London** | | | | | | | | | | | |
| Higher education & research | 82,200 | 5,517 | 20.3% | -6.2% | 0.9 | £27,282 | 3.6 | 8.4% | 56.8% | 7.1% | -0.14 |
| Health | 199,453 | 19,029 | 14.8% | 10.2% | 0.7 | £23,421 | 3.2 | 10% | 72.3% | 5.2% | 0.076 |
| Social work | 113,477 | 10,826 | -3.8% | 6.2% | 0.8 | £23,421 | 2.6 | 12.8% | 79.5% | 6.8% | 0.111 |
| **UK** | | | | | | | | | | | |
| Higher education & research | 552,104 | 32,023 | 16.6% | 2.9% | 1.0 | £21,994 | 3.4 | 11.2% | 79.1% | 6.7% | 0.003 |
| Health | 1,662,036 | 140,015 | 4.8% | 10.% | 1.0 | £18,027 | 3.0 | 11.4% | 84.1% | 7.1% | 0.028 |
| Social work | 906,027 | 76,327 | 2.3% | 9.1% | 1.0 | £18,027 | 2.0 | 15.8% | 55% | 9.2% | 0.005 |

Source: Experian Business Strategies/KPMG/National Statistics

#### Issues facing the health sector

The growing and ageing population will put increasing strains on the health and social work sub-sectors, highlighting a growing need to expand provision. However, low levels of pay and high cost of living means that recruitment and retention of staff is highly difficult. It is estimated that an extra 45,000 workers[4] will be needed in the next five years. This is further accentuated by the difficulty in retaining staff in the health sector.

Demographic change. It is projected that there will be an extra 700,000 people in London by 2016, and these will need to be provided with health facilities and other supporting infrastructure. Furthermore, the ageing population will impose further demands on the health service in London. There is also a growing interest in using older people to work in public services.

Demand for higher standards of health care. The higher standard of living experienced by Londoners in recent years has created an increased expectation about the quality and standard of public services such as health care. This combined with the other issues facing the sector is likely to impose an increasing burden on the limited resources available.

4 Source: Health Focus Group

### 3.4 Tourism and leisure

Tourism and leisure includes hotels and other accommodation, restaurants and bars and visitor attractions (libraries, museums, zoos and sports venues) as well as travel agencies. The key characteristics of the sector are shown in Table 2.3.

Tourism in London employs almost 320,000 people, some 17% of the UK total. There has been 27% growth in employment during 1995-2000 which exceeds the London average of 17.7%. The sector is forecast to grow by 6.8% to 2005[5]. A relatively low proportion of employment in tourism and leisure is taken by in-commuters and 89% of workers employed in the sector in London are Londoners, meaning that any growth has a big impact on London's residents.

Output per employee in 2000 was £21,459, a third lower than the London average of £32,685. However, total tourism spending is equivalent to 12% of London's GDP[6]. The sector has a location quotient of 1, which indicates that the industry is of equal relative importance to the London economy as tourism is for the country as a whole which appears counter-intuitive given that London is a gateway, the capital city and major business location.

The sector is characterised by low wages and low skills, with an average NVQ level of 2.3. Women hold over 40% of jobs in the industry and a quarter are held by the young (those aged 16-24). The sector has a higher than expected proportion of ethnic minority workers given what is known about its skills mix.

The sector in London has grown more quickly than the sector in the rest of the UK. It is also forecast to grow at 0.5% faster in the period 2000-2005. It is more productive in London as well, by approximately £5,000 per employee. The sector in London employs less young people than the average for the UK, which lies at 35%.

The majority of tourism and leisure employment is concentrated in central London (Westminster has 24%, Kensington & Chelsea 8% and Camden 8%)[7]. Other concentrations of employment are in Hillingdon around Heathrow, and Bromley, which has major sports facilities such as the Crystal Palace National Sports Stadium.

Employment across all other boroughs is relatively even. Over a third of all employment in this sector is located in boroughs with unemployment above the London average. The boroughs, which have experienced the most growth in employment between 1995-2000, are City of London, Ealing and Kensington & Chelsea. Tower Hamlets has also seen an increase in employment in the Docklands area which is likely to be due to an increase in business related accommodation and services.

The sector has been identified for intervention by the LDA, the London Mayor and London Skills Commission. The DTI recognised it as a well-established and growing sector of international importance.

**Table 2.3: Key characteristics of the tourism and leisure sector, London and the UK (2000 unless stated)**

| Sector | Employees (000s) | Self employed (000s) | Employee change (1995-2000) | Employee forecast (2000-2005) | Location quotient | Productivity per worker | Average NVQ level | Percentage of employees who were: Disabled | Women | Aged 16-24 | BME quotient |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **London** | | | | | | | | | | | |
| Tourism & leisure | 317,913 | 43,138 | 27.4% | 6.8% | 1.0 | £21,459 | 2.3 | 10.2% | 41.5% | 24.3% | 0.041 |
| **UK** | | | | | | | | | | | |
| Tourism & leisure | 1,935,168 | 287,258 | 16% | 6.5% | 1.0 | £16,640 | 2.1 | 11.1% | 55.5% | 35.5% | 0.005 |

Source: Experian Business Strategies/KPMG/National Statistics

5 Forecasts take into account the effects of 11 September on tradable services including tourism and is based on information available at the time of forecasting in spring 2002

6 The Case For Tourism In London, A Scoping Study, London Tourism Action Group, 2001

7 Experian Business Strategies, 2002

#### Issues facing the tourism sector

International tourism has shown considerable fluctuations in growth rate. Nevertheless, since the start of the World Tourism Organisation (WTO) time series in 1950, worldwide, it has not experienced a single year of significant decrease.

Tourism is not immune from international competition; although Britain has been a leader in world tourism, there has been an increase in competing international destinations, resulting in London gradually losing world market share. The issue for London, therefore is how to maintain and increase its competitive position in the context of a growing international tourism market.

London contributes substantially to UK Tourism as a national gateway with 53% of all visitors to the UK passing through London. London needs to capitalise on this gateway role.

Tourism has a major contribution to make to urban regeneration schemes in London (for example, Covent Garden, Docklands and the South Bank) and future regeneration schemes should reflect this.

The sector is recognised as a particularly important source of entry-level jobs and hence should be supported as a pathway to employment for the BME community and women.

Tourism can help celebrate ethnic diversity. London's ethnic communities are important generators of inbound visits from friends and families, particularly from overseas. The potential benefits to London's ethnic communities are twofold. On the one hand tourists can help generate revenue in the community and for the small business sector. Public acknowledgement and celebration of ethnic diversity as one of London's strengths can also help raise status and generate confidence and pride.

London's tourism offer is often perceived to be concentrated in central areas. Tourists are unaware of the spread and diversity of attractions across London. Consequently, the economic benefits as well as the costs of tourism are unevenly distributed. Promoting tourist activities to the visiting friends and relatives market – who may stay in more dispersed parts of London – could be a vehicle for spreading the benefits of tourism across London.

### 3.5 Financial services and professional services

The financial services sector and the professional services sector are, when combined, the most important sectors for London. The sector is the largest employer and is highly influential on the state and stability of the London economy. Table 2.4 shows the key data on the financial and professional services sector and the financial sectors sub-sectors of city and non-city type employees (effectively non-retail and retail).

This sector employs over 870,000 people in London, nearly one in three of all UK employment. In the period 1995-2000, the financial services sector and the professional services sector both experienced rapid growth at 28% and 37% respectively, compared to 27% and 17% nationally. However, this growth is forecast to slow in the period 2000-2005 to 2% and 1.5% respectively with the UK forecast to grow at 5% and 3.6%.

These sectors tend to score poorly on inclusivity, with low levels of BME and women employees – only 39% of employees in the financial sector are women. However, the proportion of young people working in the sectors is relatively high at 15% for professional services and 12% for the financial sector.

At the national level, the numbers of women and BME employees working in these sectors is higher than in London – which may suggest London is not adequately targeting or recognising these groups.

Employees are well educated and productive, with London workers achieving output per head figures some 25% higher than the national average – although average NVQ levels are similar.

The City-type financial services (non-retail) are concentrated in and around the City, Canary Wharf and Westminster. There are further pockets of employment to the north of the City in what is called the City Fringe (southern parts of Islington, Camden and Hackney) and to the south of the river and around Croydon.

The non-City financial services sector follows a similar pattern with the exception of the City of London where it is relatively small in employment terms. Similarly, the professional services sector is relatively evenly spread around London with pockets of employment in central London areas around the City of London, Westminster and the City Fringe wards.

**Table 2.4: Key characteristics of the financial services, London and UK (2000 unless stated)**

| Sector | Sub-sector | Employees (000s) | Self employed (000s) | Employee change (1995-2000) | Employee forecast (2000-2005) | Location quotient | Productivity per worker | Average NVQ level | Percentage of employees who were: Disabled | Women | Aged 16-24 | BME quotient |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **London** | | | | | | | | | | | | |
| Professional services | | 327,677 | 40,483 | 37.4% | 3.9% | 2 | £32,011 | 3.3 | 8.7% | 46.3% | 15.3% | -0.026 |
| Financial sector | | 544,542 | 35,500 | 28.1% | 1.4% | 2.1 | £49,810 | 3.0 | 6.4% | 39.3% | 12.6% | -0.047 |
| | City | 307,035 | 20,041 | 23.8% | 1.7% | 2.9 | £57,226 | 2.9 | 5.6% | 38.4% | 9% | -0.046 |
| | Non-city | 237,507 | 15,503 | 34.3% | 0.9% | 1.6 | £40,222 | 3.2 | 7.9% | 43.7% | 19.8% | -0.083 |
| **UK** | | | | | | | | | | | | |
| Professional services | | 1,018,952 | 169,773 | 27.4% | 5.2% | 1 | £24,424 | 3.1 | 9.9% | 50.1% | 13.1% | 0.0011 |
| Financial sector | | 1,628,770 | 155,171 | 16.8% | 3.6% | 1 | £38,992 | 2.9 | 9% | 46.9% | 16.9% | 0.01 |
| | City | 679,446 | 50,900 | 23.7% | 5.6% | 1 | £44,548 | 2.8 | 8.6% | 48.9% | 14% | 0.001 |
| | Non-city | 949,324 | 104,300 | 12.3% | 2.2% | 1 | £35,015 | 3 | 9.7% | 53.1% | 17.2% | 0.007 |

Source: Experian Business Strategies/KPMG/National Statistics

#### Issues facing the financial services sector

The state of the transport system. This applies to internal, radial and international transport in London. A perceived or actual poor transport system in and around London can adversely affect the attractiveness of London as a centre for business and financial services.

Fiscal and regulatory issues. This is particularly true for foreign-owned institutions. This is not necessarily something that will on its own drive firms away from London but can act as the proverbial last straw on top of the other issues facing foreign institutions.

Housing costs. High housing costs in London results in a situation where keeping ex-pats in London is increasingly expensive. This can act as a disincentive to firms considering relocating to London.

Cost of complying with the FSA regulations is very high. This may make other less stringent countries more attractive as a base.

Healthy margins are difficult to attain in the face of intense competition. This has been highlighted in the recent difficulties faced by the financial institutions in London and can lead to high unemployment for people working in this sector in London.

Skills availability. The availability of educated graduates, linguistic skills or trading skills is not questioned by the large corporations. However, there is a perceived lack of school leavers with the basic education on how to fit in and act in a business environment.

Personal safety. London is suffering from an increasing perception that it is a dangerous place to live, and, hence, financial institutions may consider relocating to less dangerous areas.

These factors make London less attractive to overseas businesses, and authorities need to highlight the factors that make London attractive to deal with any negative impressions.

An overriding issue is that, in general, the financial sector is comprised of large, profitable businesses who can look after themselves. There is, however, a need for diversity in the sector to dampen hostile cycles and to provide suppliers with a wide and competitive offering.

### 3.6 ICT

The information and communication technology (ICT) sector is a key sector for London. It comprises the manufacture of hardware such as computers, telecommunications, hardware and software consultancy, maintenance and other computer related services. Table 2.5 below presents the key data on the ICT sector.

The ICT sector is a relatively large sector in London and has experienced rapid growth in recent years. In the period 1995-2000, the sector grew by 52% and although this growth is set to slow in the period 2000-2005, it is likely to be one of the fastest growing sectors at around 18.4%. ICT has a location quotient higher than one, suggesting that London is an important centre for ICT in the UK. It is also a highly productive sector, with output per employee at around £45,000 per annum. It is also a highly qualified sector with an average NVQ level per employee of 3.2. However, it scores poorly on diversity with a low level of women and disabled people within it.

The ICT sector in London is approximately 20% of the total ICT sector in the UK. It has grown faster over the period 1995-2000, 52% as opposed to 39%, and is forecast to outstrip UK growth in the period 2000-2005 (18.4% and 19.4% respectively). Productivity is approximately £5,000 higher in London than the UK average, and workers in London tend to have a higher level of skills.

The main areas of ICT activity are in Westminster, City of London, Hounslow and Camden (the City Fringe). Over 40% of employment in ICT is in disadvantaged boroughs.

**Table 2.5: Key characteristics of the ICT sector, London and UK (2000 unless stated)**

| **London** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Sector | Employees (000s) | Self employed (000s) | Employee change (1995-2000) | Employee forecast (2000-2005) | Location quotient | Productivity per worker | Average NVQ level | Percentage of employees who were: Disabled | Women | Aged 16-24 | BME quotient |
| ICT | 209,558 | 10,300 | 52% | 18.4% | 1.2 | £44,881 | 3.2 | 7.6% | 24.2% | 10.8% | 0.011 |
| **UK** | | | | | | | | | | | |
| ICT | 1,060,701 | 102,007 | 39% | 9.4% | 1 | £40,392 | 2.9 | 9.6% | 26% | 12.2% | 0.009 |

Source: Experian Business Strategies/KPMG/National Statistics

#### Issues facing the ICT sector

The ICT sector has recently experienced both rapid growth and a contraction in the size of the market due to the decline in the financial services sector and the collapse of the Internet bubble.

The sector is highly ubiquitous and is highly self-sufficient in terms of collaboration and networking. Hence, it may be difficult to intervene where companies are highly independent.

Skills shortage is a common complaint of employers, particularly in the more challenging areas of object-oriented programming and applications development.

The number of local people finding work in the ICT sector in the City Fringe was low given the fast rate of company formation and the high unemployment in the area. This is raising the level of in-commuting and highlights a skills gap in the area.

Lack of innovation and product development; lack of financing, this results in innovators finding it difficult to gain capital; and lack of entrepreneurial people results in a situation where growth may be impeded in the sector and where ideas are not effectively exploited.

A perceived skills gap between a surfeit of workers with basic entry level IT skills and those with specialised skills could hinder recruitment and hence impede growth in the sector.

### 3.7 Environmental/green industries

The environmental and green business sector includes recycling and waste management as well as some regulatory and engineering industries. It is recognised that in using the SIC code the fit is not ideal and cannot be considered to be complete. Table 2.6 shows the key characteristics of the sector.

The sector employs almost 130,000 people, equivalent to the London construction sector. It employs 733,000 people across the UK and London represents 18% of this.

During 1995-2000 there was over 25% growth in the sector in London and it is forecasted to grow by a further 7.4% between 2000-2005. With a location quotient of 1.1, the sector can be seen as a relative strength of London. In 2000, the productivity or output per employee was £30,985, which is close to the London average of £32,685. Other data collected for this study shows that the sector has average wages. The average NVQ level is 3.1 making the sector's workforce among the more highly qualified.

In employment terms, the sector is under-represented by women, who make up only 36% of the workforce. Young people make up 12% and people with disabilities represent almost 9%. The sector has a slightly more than expected proportion of ethnic minority workers given what is known about the skills and qualifications mix of the sector.

Growth in London has significantly exceeded the growth of the sector in the UK (3% as opposed to 25%), and although growth in London is forecast to slow to 7%, it is still higher than the 3% projected for the UK as a whole. Productivity per head in London is approximately £5,000 higher per employee than the UK average.

The Mayor of London has issued a waste management strategy, which includes policies on promoting recycling and waste reprocessing.

In terms of the spatial distribution of the sector there are pockets of employment in parts of Lambeth, Westminster and Camden. It is possible that some of this employment in central London may be head offices of recycling and waste reprocessing businesses. Other areas of moderate employment include Islington, Hammersmith and Fulham, and Croydon.

#### Issues facing the environmental sector

London has 39 civic amenity sites that offer great potential to increase recycling rates. London has only two major landfill sites - in Havering and Croydon. Two incinerators are currently proposed for London in Bexley and Edmonton, in addition to the two existing plants. There are 309 licensed waste management facilities (1998/99), 199 waste transfer stations and 76 treatment facilities. The London Community Recycling Network (LCRN) estimates there are 2,000 plus micro-reprocessors in London, often operating at the margins of the formal economy, many of whom have the potential to become more significant businesses.

The availability and cost of land is a problem for waste management in London. In particular, if recycling targets in the Mayor's strategy are to be met new waste management facilities will be required.

Land availability problems are exacerbated by the lack of an overall waste authority for London and the existing Waste Disposal Authority boundaries.

London boroughs will have to safeguard all existing waste management sites, particularly those accessed by river or rail. They will be expected to identify new sites for waste recycling and reprocessing. Promoting sites for manufacturing related to recycling should be done in conjunction with the GLA, the LDA and London Remade. These agencies are also involved in updating information about waste sites, facilities and infrastructure to assist with planning decisions.

Waste handling processes are viewed as transport intensive and low value, and are unpopular with the public, landowners or planners. There is a general view held in the Thames Gateway that it should not be seen as a dumping ground for London's waste and that west London should be dealing with more of its own waste.

London's collection infrastructure is far more developed than its processing, only 2.3% of the UK's facilities are in London. As a result, waste has to be transported to out of London processing facilities creating pollution and congestion and London does not benefit from any revenue generated from processing.

In the UK, there exists a demand for glass, paper metals and other such materials, especially from the manufacturing sector in London. But the collection rates and quality issues are a problem.

Recycling related industries have become major growth sectors in North America and parts of Europe. However there are high start up costs to most activities and there are the risks involved with new, emerging industries which effects investment levels.

There is little research and development or trials of new technology in London or the UK as a whole as piloting new projects requires significant investment that carries risks which individual disposal authorities may be unwilling to take, but may be more feasible for a London-wide disposal authority.

Lack of investment capital is seen by many as a key constraint on the development of recycling activity in London, particularly community recycling. Some types of recycling will require large-scale investment to become viable.

Recycling related industries have the potential to generate considerable amounts of employment however, there are skills shortages (from lack of LGV drivers, to lack of business skills) as a key constraint on further development in this sector. New jobs are likely to be low paid, low skilled, which may not be attractive to already employed Londoners, but will most likely be filled by unemployed or current part time labour.

Effective business support is required for the sector to counter identified skills shortages. This will need to include start-up advice, business development support and sector specific expertise.

**Table 2.6: Key characteristics of the environmental sector, London and UK (2000 unless stated)**

| Sector | Employees (000s) | Self employed (000s) | Employee change (1995-2000) | Employee forecast (2000-2005) | Location quotient | Productivity per worker | Average NVQ level | Percentage of employees who were: Disabled | Women | Aged 16-24 | BME quotient |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **London** | | | | | | | | | | | |
| Environmental & green business | 129,294 | 20,009 | 25.6% | 7.4% | 1.1 | £30,985 | 3.1 | 8.7% | 36.3% | 12.3% | 0.006 |
| **UK** | | | | | | | | | | | |
| Environmental & green business | 733,080 | 130,549 | 3.4% | 3.3% | 1.0 | £25,450 | 2.6 | 11.3% | 40.3% | 9.4% | -0.004 |

Source: Experian Business Strategies/KPMG/National Statistics

### 3.8 Life sciences sector

Life sciences is an emerging sector which has been prioritised by the Department of Trade and Industry (DTI) and the other RDAs for support. It includes sub-sectors such as biotechnology, medical equipment and pharmaceuticals. The report attempted to fit the SIC code to this definition of life sciences but it recognises that it is not ideal and cannot be considered to be complete and give full justice to the sector. Table 2.7 shows key data on the sector.

Life sciences is a relatively small sector in London employing approximately 26,000 people. It has experienced a small decline in employment of 1% in the period 1995-2000. This decline is set to continue in the short term. This may be attributed to the availability of suitable workspace in other areas. This is further illustrated by the comparatively low location quotient of the sector, indicating a low relative importance to London.

However in the last three years, the London biotechnology sub-sector, in terms of numbers of companies set up, has grown twice as fast as the UK[8]. London represents one of the main locations for biotechnology activity in the UK and Europe.

Life sciences is a highly productive sector with output at approximately £52,000 per employee. This correlates with the high average NVQ level at 3.5. Conversely, this sector shows a relative low level of social inclusion with only 4% of employees deriving from the BME.

Although life sciences in London have experienced a decline in recent years, overall in the UK it has experienced growth of 4.7%. However, it is forecast to decline further at a national level, although at a slower rate than London. Life sciences in London is approximately 12% of the total life sciences sector in the UK, and is £3,500 more productive per employee in London than the UK as a whole. The average NVQ level at 3.5 in London is higher than the average of 3 across the UK for the sector.

The life sciences sector supports other firms through its impact on supply-chains (e.g. the medical equipment sector and health providers). The value of the sector extends beyond its direct employment. Life sciences has the potential for significant wealth creation through its interaction with the London medical research, NHS and higher education communities in commercialising, and spin-off activities. 40% of London HEI seed fund demand comes from disciplines linked to life sciences, the next highest discipline is computer science with 8%.

The life sciences sector is spread throughout the greater London region. Proximity to hospitals and other research centres is key to the placement of these facilities, as many are likely to be developed from spin offs from academic research. There is a pocket of employment in west London but in general activity is spread evenly throughout the region, with the most focus on north of the river.

**Table 2.7: Key characteristics of the life sciences sector, London and UK (2000 unless stated)**

| Sector | Employees (000s) | Self employed (000s) | Employee change (1995-2000) | Employee forecast (2000-2005) | Location quotient | Productivity per worker | Average NVQ level | Percentage of employees who were: Disabled | Women | Aged 16-24 | BME quotient |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **London** | | | | | | | | | | | |
| Life sciences | 26,172 | 1,749 | -0.9% | -12.2% | 0.8 | £52,375 | 3.5 | 3.7% | 47.4% | 15.2% | -0.099 |
| **UK** | | | | | | | | | | | |
| Life sciences | 222,724 | 15,572 | 4.7% | -4.7% | 1.0 | £48,651 | 3.0 | 9.5% | 40.9% | 8.3% | -0.027 |

Source: Experian Business Strategies/KPMG/National Statistics

8 Angle Technology consultants estimate

#### Issues facing the life sciences sector

The lack of incubator space is one of the key issues, preventing the growth of spin-offs and start-ups. The cost of space itself is very high and can be prohibitive to start-ups. It is also difficult to find suitable space such as wet labs, and the cost of new build is so high as to be prohibitive.

One issue that can hold back the sector in London is that it is 'good at fragmenting'. The sector needs to get together more, in particular, to ensure that funding to the sector in London is maximised. However, there is difficulty in maintaining networks when companies leave London.

There is a need to find a healthy balance between competition and collaboration between the universities in London.

Access to people with solid business skills such as lawyers and accountants. There is a severe shortage of experienced management for start-up ventures.

The cost of living in London can provide an issue for the biotechnology sector. It has resulted in a shortage of doctoral and post-doctoral students in the sector.

### 3.9 Manufacturing

The sector includes all manufacturing in London. It is defined by the two-digit 1992 SIC, ranging from 15 to 37. Some of the sub-sectors included are manufacture of office machinery and computers, manufacture of motor vehicles, manufacture of rubber and plastic goods, and manufacture of paper products. Table 2.8 shows key data on the aggregate manufacturing sector.

Manufacturing employs 290,000 people in London, which makes it a relatively influential sector. Approximately 10% of these are self-employed.

The location quotient of London for manufacturing is relatively low at 0.5, which suggests that the city has a comparatively small manufacturing sector. The sector is declining in London, contracting by 1% in the period 1995-2000, and it is forecast to continue experiencing negative growth in the period 2000-2005. Hence, it may need support if it is to continue to flourish. The sector is also highly productive, averaging £38,000 of output per employee. The sector also has relatively high numbers of BME employees given its skill profile.

There are 3.8 million people working in the manufacturing sector in the UK. London contributes 8% of total employment in the sector. Manufacturing employment in the UK fell by 3% between 1995 and 2000 and is forecast to decline by a further 9% during 2000 to 2005. In terms of productivity, the average for the UK at £37,000 per employee is relatively similar to that of London at £38,000.

Table 2.9 below shows employment and LQ for London's manufacturing sectors.

**Table 2.9 London's manufacturing sectors, employment and LQ (2000)**

| | Employment (000s) | LQ |
|---|---|---|
| Food products and beverages | 30.402 | 0.40 |
| Tobacco products | 0.772 | 0.96 |
| Textiles | 4.093 | 0.18 |
| Apparel; dressing/dyeing fur | 14.271 | 0.90 |
| Tanning/dressing of leather etc | 2.162 | 0.57 |
| Wood/products/cork etc | 3.906 | 0.30 |
| Pulp, paper and paper products | 5.215 | 0.33 |
| Publishing, printing, repro recorded media | 100.153 | 1.74 |
| Coke, refined petroleum products | 0.404 | 0.09 |
| Chemicals and chemical products | 18.582 | 0.49 |
| Rubber and plastic goods | 9.692 | 0.26 |
| Other non-metallic products | 5.153 | 0.24 |
| Basic metals | 2.103 | 0.11 |
| Fabricated metal products, etc | 18.139 | 0.29 |
| Machinery and equipment nec | 14.171 | 0.25 |
| Office machinery and computers | 2.817 | 0.34 |
| Electrical machinery/apparatus nec | 10.046 | 0.37 |
| Radio, TV/communications equipment | 6.577 | 0.32 |
| Medical, precision instruments, etc | 8.083 | 0.38 |
| Motor vehicles, trailers, etc | 10.098 | 0.29 |
| Other transport equipment | 6.939 | 0.26 |
| Furniture | 15.710 | 0.49 |

Source: Experian Business Strategies/KPMG/National Statistics

The manufacturing industry is spread throughout Greater London. There are pockets of employment across London in the Lee Valley, Park Royal, East Thames and Wandle Valley areas.

#### Issues facing the manufacturing sector

Lack of people with appropriate skills.

High cost of land and property in London can mean that the investment required to set up a manufacturing business is significantly higher than elsewhere in the country.

High wages in London in comparison with the UK as a whole, as well as the advantage of low wage countries outside western Europe may lead to further relocation of labour-intensive production out of London. There is a particular danger of relocation for the more mobile companies and this may lead to a lack of jobs for low skilled workers.

Manufacturing is a high wage sector and any increases in the rate of National Insurance will have an adverse impact upon it. Hence, to ensure the survival of the sector, assistance may be needed in other areas.

Older industrial estates retain a significant core of manufacturing activity, but are under increasing pressure from poor infrastructure and competing uses. This competition for space may drive manufacturers out of London to cheaper areas.

Overall the sector is facing a decline in the level of employment whilst productivity by manufacturers is improving, creating an issue of lack of jobs for a certain skill set.

**Table 2.8: Key characteristics of the manufacturing industries, London and UK (2000 unless stated)**

| Sector | Employees (000s) | Self employed (000s) | Employee change (1995-2000) | Employee forecast (2000-2005) | Location quotient | Productivity per worker | Average NVQ level | Percentage of employees who were: Disabled | Women | Aged 16-24 | BME quotient |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **London** | | | | | | | | | | | |
| Manufacturing | 290,306 | 28,900 | -1.3% | -11.2% | 0.5 | £37,991 | 2.6 | 10.1% | 33.5% | 9.9% | -0.022 |
| **UK** | | | | | | | | | | | |
| Manufacturing | 3,842,695 | 252,945 | -3.% | -9.1% | 1.0 | £36,873 | 2.3 | 11.6% | 25.9% | 11.2% | -0.013 |

Source: Experian Business Strategies/KPMG/National Statistics

### 3.10 Other London sectors

There are a number of other sectors that have not been covered in detail in this section. Table 3.1 below shows the key data on these.

These sectors – with the exception of real estate and transport – all have relatively low location quotient, suggesting low importance to the London economy. Retail, transport and logistics, and construction all employ in excess of 100,000 workers in London after experiencing growth during 1995 to 2000 and are expected to increase further during the period 2000-2005. Utilities alone is expected to see employment fall over this period. This is similar to the UK situation. Productivity is highest in utilities and real estate and consistently higher in London than the UK. Workforce education levels are broadly similar across these sectors in London and equal to or higher than that experienced in the UK as a whole. Women make up the majority of London and the UK's retail and charity sector employment.

The utilities sector is evenly spread around London, with pockets of activity outside the central area. Activities in the retail sector are also spread evenly throughout the area. The main concentrations of activity in the transport and logistics sector are central London and the area surrounding Heathrow.

The charity and voluntary work sector is mainly based in central London. The food and drink sector is relatively evenly spread across London. The construction sector is largely based outside central London with a relatively even spread across the rest of the region. The real estate sector is spread around London with pockets of activity in the centre.

**Table 3.1: Sector characteristics, London and the UK (2000 unless stated)**

| Sector | Employees (000s) | Self employed (000s) | Employee change (1995-2000) | Employee forecast (2000-2005) | Location quotient | Productivity per worker | Average NVQ level | Percentage of employees who were: Disabled | Women | Aged 16-24 | BME quotient |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **London** | | | | | | | | | | | |
| Utilities | 6,699 | 27 | -50.3% | -32.3% | 0.4 | £224,698 | 2.9 | 13.2% | 16.7% | 6.1% | -0.069 |
| Retail | 364,391 | 42,550 | 14.1% | 7.4% | 0.9 | £18,380 | 2.2 | 11.7% | 52.9% | 30.3% | 0.1 |
| Transport & logistics | 412,439 | 40,617 | 19.4% | 2.6% | 1.2 | £39,061 | 2.6 | 10.9% | 28.3% | 9.5% | 0.026 |
| Charity & voluntary work | 88,374 | 12,808 | -4.8% | 1.7% | 0.9 | £25,324 | 2.7 | 15% | 72% | 8.9% | 0.121 |
| Food & drink | 52,419 | 1,700 | 25.5% | 12.6% | 0.6 | £30,327 | 2.2 | 15.1% | 41.3% | 18.7% | 0.099 |
| Construction | 131,571 | 42,900 | 20.6% | 4.5% | 0.7 | £39,062 | 2.2 | 11.4% | 9.6% | 10.8% | -0.082 |
| Real estate | 88,611 | 14,900 | 21.5% | 9.6% | 1.6 | £56,182 | 2.8 | 12.1% | 46% | 10.5% | -0.017 |
| **UK** | | | | | | | | | | | |
| Utilities | 106,946 | 3,716 | -39.3% | -19.7% | 1.0 | £158,706 | 2.9 | 6.7% | 27.5% | 14.2% | -0.022 |
| Retail | 2,583,813 | 331,448 | 9% | 8.2% | 1.0 | £15,662 | 1.9 | 12.2% | 60.3% | 28% | 0.021 |
| Transport & logistics | 2,159,618 | 211,577 | 11.2% | -1.1% | 1.0 | £33,200 | 2.0 | 11.9% | 23.5% | 9.3% | 0.010 |
| Charity & voluntary work | 602,896 | 86,093 | -1.0% | 8.1% | 1.0 | £19,720 | 2.0 | 15.8% | 79.5% | 9.8% | 0.010 |
| Food & drink | 640,417 | 35,600 | 4.1% | 0.9% | 1.0 | £30,700 | 2.2 | 11.6% | 31.6% | 12.9% | 0.016 |
| Construction | 1,127,391 | 647,786 | 12.9% | 6.7% | 1.0 | £31,531 | 2.3 | 11.7% | 9.5% | 12.2% | -0.031 |
| Real estate | 350,041 | 39,600 | 19.6% | 9.4% | 1.0 | £42,813 | 2.7 | 12.4% | 53.1% | 9.1% | 0.006 |

Source: Experian Business Strategies/KPMG/National Statistics

# 4. CONCLUSIONS

London's economy is driven by a diverse range of high value added, fast growing, service sectors. The success of London is based on the inter-linkages between these sectors creating both demanding world-class customers/demand and a supply of specialised, skilled labour amongst a range of other supply side benefits.

London's scale and composition of world class service sectors is probably unique in the world encompassing financial and professional services, ICT, biotechnology, higher education/research, creative and media, and tourism related activities.

Though financial and professional services are the main drivers of the London economy other sectors play a prominent role.

London's sectors exhibit the following characteristics compared to the UK:

- The financial and business services sectors are when combined the largest sector of economic activity in London. Nearly one in three of UK employment in this sector is located in London
- London is home to a quarter of the UK's creative sector with relative concentrations of employment in film, music, publishing, radio and TV, and advertising
- More than one in eight people employed in the UK's higher education and research, health and social work sectors work in London. Despite being home to national Government and the civil service, the public sector is a smaller part of the economy in London than in other regions of the UK
- Nearly one in five people employed in the UK's tourism and leisure sector work in London
- Compared to the UK average London has relatively few employees in a number of sectors including construction and manufacturing. London has a low concentration of manufacturing, unlike other European cities such as Frankfurt, Milan and Dusseldorf
- London's employees hold, on average, higher qualifications than the UK average and are more productive
- Employment in London's sectors is forecast to increase in line with or better than the UK average.

# APPENDIX 1: METHODOLOGY AND DATA MANUAL

**Methodology**
In order to deliver this project the KPMG led team devised a series of five interlocking work streams:

1) Defining and analysing London's sectors. London's sectors were defined using the 1992 SIC system. Individual four-digit classes were aggregated in order to construct appropriate sectors. This approach created 18 broad sectors and 34 sub-sectors. Analysis was also undertaken into London's industries using the two-digit SIC categories.

   A range of indicators were collected for each sector including:

   - Self employment and employees in employment
   - Skills (NVQ levels attained), productivity and earnings
   - Ethnicity, disability and gender make-up of the workforce
   - Exports and supply-chain linkages (economic multiplier)
   - Estimates of contribution to transport congestion and environmental emissions

2) In order to better understand the issues facing certain sectors in London and the ways in which the LDA could assist with sector development, the research team held a small number of focused discussions with representatives from specific sectors (health, financial services, biotech and ICT). A further discussion was held with representatives from the manufacturing sector.

3) To better understand the LDA's focus, the team also conducted interviews with key LDA staff covering each of the externally facing directorates.

4) KPMG made presentations on emerging findings and led discussions with LDA partner organisations. The organisations represented at these sessions included:

   - Learning and skills councils
   - Sector skills councils
   - Sub-regional partners
   - CBI/London First/London Chamber of Commerce and Industry
   - Leading academics and universities
   - DTI
   - GLA
   - Business Link

5) The team also conducted a review of best practice with respect to sector strategy development and support in other UK and overseas agencies. It also undertook desk-based review of previous research commissioned by the LDA on sectors, as well as a review of other related reports.

**Background on use of SIC**
The standard industrial classification (SIC) is best described as output driven: its industries or definitions of industries are driven by what is produced (i.e. manufacturing, financial intermediation, education, hotels and restaurants) rather than inputs (or the supply-chain) into the production process. This means that it doesn't reflect the nature and structure of London's economy in a meaningful way making it difficult to devise an appropriate intervention strategy.

Some of the two-digit 1992 SIC sectors are very broad and encompass a variety of economic activities. For example the category of other business activities (74) includes very diverse sectors, such as advertising, industrial cleaning, business management and consultancy and investigation and security activities. Often these sectors have very different economic profiles.

The SIC was last constructed in 1992 and hence has difficulty in categorising some of the industries that have emerged in the last decade. Among those sectors that are difficult to categorise using the system are biotechnology, e-business and other IT based sectors such as virtual reality.

For this reason, and working closely with the LDA, the report developed a set of sector definitions based on developments in the structure of the economy that better reflect the real economy and the emergence and increasing importance of activities in London such as the creative sector and ICT related activities (see table 3.2 opposite). Where appropriate external sources for sector definitions have been used, for example the Department for Culture, Media and Sport definition of the creative and media sector.

There are elements of overlap between some of the sectors and hence some double counting. For example, computer software appears in the creative sector, the computer games sub-sector and ICT sector. Manufacturing is identified as a single sector and also as activities within other sectors, such as ICT and designer fashion and craft. This is due to these sectors being vertically integrated and including elements of design, production, marketing and selling.

**Table 3.2: SIC definitions of sectors used in the report**

| Name of sector | Sub-sector | Definition | Source of definition |
|---|---|---|---|
| Creative industries | Film | 2232: Reproduction of video recording | Based on DCMS definition |
| | | 9211: Motion picture & video production | |
| | | 9212: Motion picture & video distribution | |
| | | 9213: Motion picture projection | |
| | Music, visual & performing arts | 2214: Publishing of sound recordings | Based on DCMS definition |
| | | 2231: Reproduction of sound recording | |
| | | 7481: Photographic activities | |
| | | 9231: Artistic & literary creation etc | |
| | | 9232: Operation of arts facilities | |
| | | 9234: Other entertainment activities | |
| | | 9272: Other recreational activities | |
| | Architecture | 7420: Architectural/engineering activities | Based on DCMS definition |
| | Publishing | 2211: Publishing of books | Based on DCMS definition |
| | | 2212: Publishing of newspapers | |
| | | 2213: Publishing of journals & periodicals | |
| | | 2215: Other publishing | |
| | | 9240: News agency activities | |
| | Computer games, software | 2233: Reproduction of computer media | Based on DCMS definition |
| | | 7220: Software consultancy & supply | |
| | Radio & TV | 9220: Radio & television activities | Based on DCMS definition |
| | Advertising | 7440: Advertising | Based on DCMS definition |
| | Designer fashion | 1771: Manufacture of knitted/crocheted hosiery | Based on DCMS definition |
| | | 1772: Manufacture: knitted/crocheted pullovers | |
| | | 1810: Manufacture of leather clothes | |
| | | 1821: Manufacture of work-wear | |
| | | 1822: Manufacture of other outerwear | |
| | | 1823: Manufacture of underwear | |
| | | 1824: Manufacture of other wearing apparel nec | |
| | | 1830: Dressing & dyeing of fur | |

# APPENDIX 1: METHODOLOGY AND DATA MANUAL

| Name of sector | Sub-sector | Definition | Source of definition |
|---|---|---|---|
| | | 1930: Manufacture of footwear | |
| | | 7484: Other business activities nec | |
| | Craft | 3622: Manufacture of jewellery nec | DCMS & London Business Link definition |
| | | 3630: Manufacture of musical instruments | |
| | | 2621: Manufacture: ceramic household articles | |
| | | 2622: Manufacture of ceramic sanitary fixtures | |
| | | 3661: Manufacture of imitation jewellery | |
| | | 1740: Manufacture of made-up textile articles | |
| | Art/antiques trade | 5248: Other retail sale: specialised stores | Based on DCMS definition |
| | | 5250: Retail sale: second-hand goods in stores | |
| Higher education & research | | 8030: Higher education | Based on EBS definition |
| | | 73: Research and development | |
| Health | | 8511: Hospital activities | Based on EBS definition |
| | | 8512: Medical practice activities | |
| | | 8513: Dental practice activities | |
| | | 8514: Other human health activities | |
| Social work | | 8531: Social work activities with accom. and 8532: Social work activities without accom. | Based on EBS definition |
| Tourism & leisure | | All of SIC 55: Hotels and restaurants | Based on EBS definition |
| | | 6330: Activities of travel agencies etc nec | |
| | | 9251: Library & archives activities | |
| | | 9252: Museum activities etc | |
| | | 9253: Botanical & zoological gardens etc | |
| | | 9261: Operation of sports arenas & stadiums | |
| | | 9262: Other sporting activities | |
| | | 9271: Gambling & betting activities | |
| | | 9272: Other recreational activities nec | |
| Utilities | | 40: Electricity, gas, steam/hot water supply and 41: Collection/purification of water | Based on EBS definition |
| Professional services | | 7413 Market research/opinion polling | Based on DTI definition |
| | | 7411 Legal activities | |
| | | 7414 General management consultancy | |
| | | 7415: Management Activities: Holding Companies | |
| | | 7484 Other business activity | |
| | | 7483 Secretarial/translation services | |
| | | 7412 Book keeping services | |
| Financial services | City | 6523: Other financial intermediation nec | Based on EBS definition |
| | | 6712: Security broking & fund management | |
| | | 6713: Activ. auxil. to fin. intermediation nec | |
| | | 6720: Activ. auxil. to insur./pension funding | |
| | | 6602: Pension funding | |
| | | 6603: Non-life insurance | |
| | | 6511: Central banking | |
| | | 6711: Administration of financial markets | |
| | | 7414: Business/management consultancy activ. | |
| | | 6521: Financial leasing | |
| | | 6512: Other monetary intermediation – ONLY IN Tower Hamlets & City of London | |
| | Non-city | 7412: Accounting/book-keeping activities etc | |
| | | 7484: Other business activities nec | |
| | | 6522: Other credit granting | |
| | | 6512: Other monetary intermediation – NOT IN Tower Hamlets or City of London | |
| Food & drink | Manufacture | All of SIC 15: Manufacture of food products and beverages | Based on EBS definition |
| | Retail | 5221-5227: Retail sale of food & drink | |
| ICT | | 3001: Manufacture of office machinery | Based on OECD definition |
| | | 3002: Manufacture of computers etc | |
| | | 3130: Manufacture of insulated wire & cable | |
| | | 3210: Manufacture of electronic valves etc | |
| | | 3220: Manufacture of TV/radio transmitters etc | |
| | | 3230: Manufacture of TV/radio receivers etc | |
| | | 3320: Manufacture of: instruments for measuring etc | |
| | | 3330: Manufacture of: industrial process control equip. | |
| | | 5164: Wholesale: office machinery & equip. | |
| | | 6420: Telecommunications | |
| | | 7210: Hardware consultancy | |
| | | 7220: Software consultancy & supply | |
| | | 7230: Data processing | |
| | | 7240: Data base activities | |
| | | 7250: Maintenance/repair: office machinery etc | |
| | | 7260: Other computer related activities | |
| Environmental | | 3710: Recycling of metal waste & scrap | Encompasses LDA definition |
| | | 3720: Recycling of non-metal waste & scrap | |
| | | 9000: Sewage & refuse disposal etc | |

# APPENDIX 1: METHODOLOGY AND DATA MANUAL

| Name of sector | Sub-sector | Definition | Source of definition |
|---|---|---|---|
| | | 9133: Activit: other membership organis. nec<br>7512: Regulation: education agencies etc<br>7420: Architectural/engineering activities | |
| Construction | | All of SIC 45: Construction | Based on EBS definition |
| Retail | | All of SIC 52: Retail, except of motor vehicles & motorcycles; repair of personal & household goods | Based on EBS definition |
| Transport & logistics | | 60, 61, 62, 63: Land, water, air transport and Supporting/auxiliary transport, etc.<br>51: Wholesale trade/commission trade, etc | Based on EBS definition |
| Charity & voluntary | | 9133: Activities other membership organis. nec<br>8532: Social work activities without accom. | Based on EBS definition |
| Life sciences | Pharmaceuticals<br><br><br><br>Medical equipment | 7310: Research: natural sciences/engineering<br>2441: Manufacture of pharmaceutical products<br>2442: Manufacture: pharmaceutical preparations<br>5146: Wholesale of pharmaceutical goods<br>5232: Retail sale of medical/orthopaedic goods<br>3310: Manufacture of medical/surgical equipment | Suggested by LDA |
| Manufacturing | | All SICs between 15 and 37 | Based on EBS definition |
| Real estate | | 70: Real estate activities | Based on EBS definition |

## Overview of the data sources and methodologies

All available historical sources were used where possible, but in some cases the researchers had to rely on estimation techniques. The level of detail used for the definitions of the functional sectors (in many cases SIC92 four-digit classification) means that in some cases the data should be viewed as an indication rather than an exact measure. This doesn't limit its value as a means of comparing one industry to another, which is clearly the overall intention of the data.

The data used to define London's sectors are based on a number of official sources. The most heavily used of these are the Annual Business Inquiry (ABI) for the numbers of employees in employment and establishment size, and the Labour Force Survey (LFS) for information on self-employment and qualifications.

These data sources present one main problem. Accuracy, the ABI is essentially a national level survey broken down to the local level using information from the Inter Departmental Business Register (IDBR) on the industry classification (SIC code) and local unit structure of multi-site companies (i.e. companies that operate in more than one location). The accuracy of the data at the industry and local level, therefore, depends on the accuracy of the IDBR. Unfortunately, as the IDBR contains company confidential information it is not open to public scrutiny and there are doubts about its accuracy.

The report approached this problem in two ways:

1. The bigger the sector or the geographical area being covered, the more robust the ABI-based estimates. This means that the report is only really justified in breaking the data down into considerable detail (by industry or by area) if it is re-aggregated into larger groups. In other words, the London-wide data by function sector is likely to be much more robust that the four digit data that have been used as building blocks. This also applies to the use of LFS data, which does not suffer from the same methodological problems of the ABI but does suffer from more serious sample size problems.

2. At the London borough level, there was extensive verification of the employee estimates in the ABI and rectification where necessary.



## Use of indicators

### Employment

Employees in employment data provided the best indicator for the size of an industry or functional sector. From this, past performance and forecast future growth can be assessed.

Historical employees in employment estimates for two- and four-digit industries are based on official estimates from the Annual Business Inquiry (ABI) (1998-2000) and the Annual Employer Survey (AES) (1995-1997). Data pre-1995 is based on Experian Business Strategies' estimates and forecast data (post 2000) is derived from Experian Business Strategies' Integrated Regional Sectoral Model. The raw data from the AES and ABI has been 'cleaned' by Experian Business Strategies to eliminate obvious errors and omissions.

Employees in employment data was supplemented with self employment estimates for each industry or functional sector. These estimates are derived from data collected by Labour Force Survey at the 2-digit level, and estimated by Experian Business Strategies below the 2-digit level.

Source: Annual Business Inquiry (ABI), Annual Employer Survey (AES),Labour Force Survey (LFS), Experian Business Strategies.
Frequency: ABI carried out annually, LFS carried out quarterly

### Number/size of establishments

Establishment size data tells us those industries or functional sectors that support the most business units in London. It also tells us whether these tend to employ many or few people.

Data for the number of business units by size, (defined by the number of employees), for each 4-digit industry is collected by the Annual Business Inquiry (1998-2000) and the Annual Employer Survey (1995-1997).

Source: Annual Business Inquiry (ABI), Annual Employer Survey (AES)
Frequency: ABI carried out annually

### Location quotients

Location quotients measure the relative importance of an industry or functional sector in London, relative to the Great Britain average. Specifically:

LQiGL = (EMPiGL/EMPtGL)/(EMPiGB/EMPtGB)
where LQiGL = location quotient of industry i in Greater London
EMPi = employment in industry i
EMPt = total employment
GL = Greater London
GB = Great Britain

A location quotient of 1 shows that the industry is of equal relative importance to the London economy as the industry is for Great Britain. A location quotient of more than 1 suggests the industry is more important to London's economy than the Great Britain average, and a location quotient of less than 1 suggests the industry is less important to London's economy than the Great Britain average.

Source: Annual Business Inquiry, Annual Employer Survey, Experian Business Strategies
Frequency: Updated as and when new employment estimates are available

### Skill levels

Skills levels, measured by proxy using data on qualifications, indicate which industries or functional sectors have the highest intellectual capital and those that have the lowest barriers to entry (enabling economic/social inclusion). A skills index has been constructed to provide a view on the 'average' level of skills of the workers within each of London's industries or functional sectors.

The Labour Force Survey (LFS) provides data on the average qualification (as measured by the 5 levels of National Vocational Qualifications (NVQs) or equivalent) for each 4-digit industry. Weights are applied to each NVQ level (5 for NVQ5, 4 for NVQ4 and so on) so that a weighted average for each 2-digit industry can be calculated.

Source: Labour Force Survey, Experian Business Strategies
Frequency: Labour Force Survey updated quarterly

# APPENDIX 1: METHODOLOGY AND DATA MANUAL

## Average earnings

Average earnings show how well paid each industry or key sector is in London. Average weekly earnings for each industry or functional sector is derived by a number of steps:

1) The New Earnings Survey collects average weekly earnings data for each minor occupation (77 occupations)

2) The LFS provides information on the occupational breakdown of each 2-digit industry in Greater London

3) Combining the data in steps 1 and 2, provides estimates of average weekly earnings for each two-digit industry in London

4) Where estimates are required for four-digit industries, it is assumed average weekly earnings and occupational breakdowns are the same as for the relevant two-digit industry.

Source: New Earnings Survey, Labour Force Survey, Experian Business Strategies
Frequency: New Earnings Survey carried out annually, Labour Force Survey carried out quarterly

## Ethnicity

This indicator shows whether ethnic minorities hold a higher or lower proportion of jobs in each industry or functional sector than would be expected given the qualifications mix of the industry or key sector. The Labour Force Survey provides data on the proportion of employment in London in each four-digit industry for each ethnic minority. There is also data on the qualifications mix of ethnic groups and four-digit industries, again from the LFS. From this which industries have a higher/lower share of employment among ethnic groups than would be anticipated can be indicated.

For example, assume there are 200,000 white people qualified to NVQ level 5, and that 5% of people with NVQ level 5 work in banking. It would be expected that 10,000 white people with NVQ level 5 work in banking. If however, 15,000 white people with NVQ level 5 work in banking, the report argues that there is an overrepresentation of white people with NVQ level 5 in the industry. Aggregating all NVQ levels can provide an indication of whether any given industry or functional sector is over-represented by a particular ethnic group.

Source: Labour Force Survey, Experian Business Strategies
Frequency: Labour Force Survey updated quarterly

## Productivity

Productivity is defined as output per employee, measured at constant 1995 prices. Estimates of output for each of London's 2-digit industries are produced by Experian Business Strategies' Integrated Regional Sectoral Model. An assumption is made that productivity in 4-digit industries is the same as in the relevant 2-digit industry.

Source: Experian Business Strategies
Frequency: Updated biannually

## Supply linkages/multipliers

Supply linkages show the degree to which sectors are embedded into the London economy. 'Input Output tables' provide an indication of the supplier linkages between industries. Official tables for the UK have been modified by Experian Business Strategies, (adopting the methodology outlined by Flegg and Webber), to provide estimates for each of London's 2-digit industries that tell us the proportion of inputs that are sourced within London and outside of London. These can be used to infer how strong local linkages are for each industry. Information about supply linkages is combined with data on consumption patterns of employees to create an overall 'multiplier effect' for each industry. This multiplier effect is then adjusted to reflect the relative size of the industry in London. An assumption is made that multiplier effects for 4-digit industries is the same as for the relevant 2-digit industry.

Source: National Statistics, Experian Business Strategies
Frequency: Annual

## Environmental data

Emissions data (for greenhouse gasses and acid rain precursors) are based on UK data from the Environmental Accounts (from National Statistics). The report assumes the emissions per unit of output produced by each 2-digit industry is the same in London as the UK. Emissions for 4-digit industries are assumed to be the same as the relevant 2-digit industry.

Source: National Statistics, Experian Business Strategies
Frequency: Annual



## Commuting

The rate of commuting shows the degree to which industries or functional sectors are dependent on local labour (sustainable) and which are not (unsustainable), in the light of housing and transport issues.

The Labour Force Survey provides data on where workers in London live, (by 4-digit industry), whether outside or within the Greater London boundary. Therefore, the report can estimate the proportion of jobs in each industry that are filled by in-commuters. The report also considered congestion issues in central London by using Labour Force Survey data to identify those industries or functional sectors that employ people who live outside inner London but work in central London.

Source: Labour Force Survey
Frequency: Updated quarterly

## International competitiveness

Input/output tables provide data on the proportion of output in each industry that is exported. These trends (at the UK level) are applied to London's 2-digit industries to provide a proxy for international competitiveness. Rates of exports, and therefore competitiveness, at the 4-digit level are assumed to be the same as at the relevant 2-digit level.

Source: National Statistics
Frequency: Updated annually

## Under-performing boroughs

Under-performing boroughs are identified as those with a higher ILO unemployment rate than the London average in 2001.

Source: Labour Force Survey, Experian Business Strategies
Frequency: Labour Force Survey updated quarterly

## Gender, age and disability

The Labour Force Survey provides data on the breakdown of employment in each 4-digit industry by gender, age and type of disability. This data can be used to examine the characteristics of those employed by each industry or functional sector, and can be mapped onto inclusion objectives.

Source: Labour Force Survey
Frequency: Labour Force Survey updated quarterly

**Summary table**
The table below summarises the source and availability of the data for each indicator.

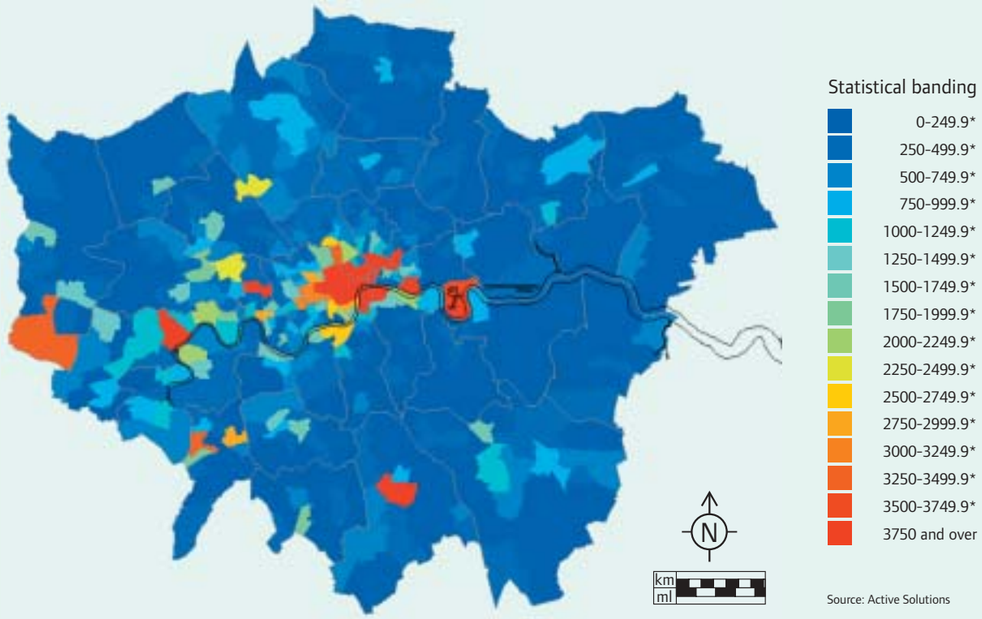
**Table 3.3: Availability and source of indicators**

| Indicator | Source | Frequency |
|---|---|---|
| Employment | Annual Business Inquiry, Experian Business Strategies | Annual |
| Number/size of establishments | Annual Business Inquiry | Annual |
| Average earnings | New Earnings Survey | Annual |
| Productivity | Annual Business Inquiry, Experian Business Strategies | Annual |
| Location quotient | Annual Business Inquiry, Experian Business Strategies | Annual |
| Skills | Labour Force Survey, Experian Business Strategies | Quarterly |
| Ethnicity | Labour Force Survey, Experian Business Strategies | Quarterly |
| Disability | Labour Force Survey, Experian Business Strategies | Quarterly |
| Supply linkages/ multiplier | National Statistics | Annual |
| Environmental indicator | National Statistics, Experian Business Strategies | Annual |
| International competitiveness | National Statistics, Experian Business Strategies | Annual |
| Commuting and congestion | Labour Force Survey, Experian Business Strategies | Annual |
| Under-performing boroughs | Labour Force Survey, Experian Business Strategies | Annual |
| Age, gender | Labour Force Survey | Quarterly |

# APPENDIX 2: SPATIAL DISTRIBUTION OF EMPLOYMENT

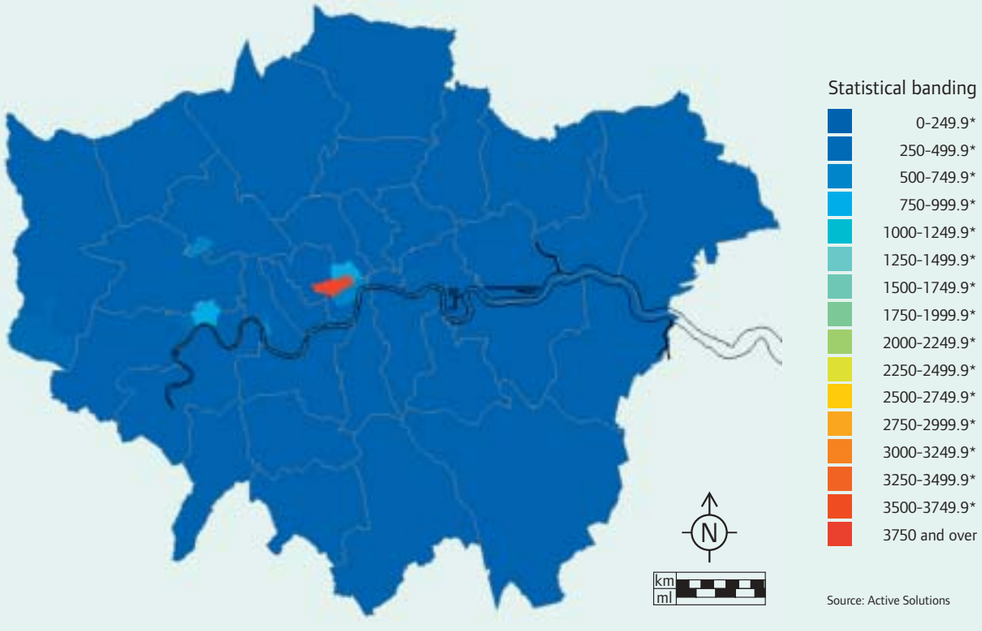
## Creative industries

**Creative industries employment in London (2000)**




Source: Active Solutions

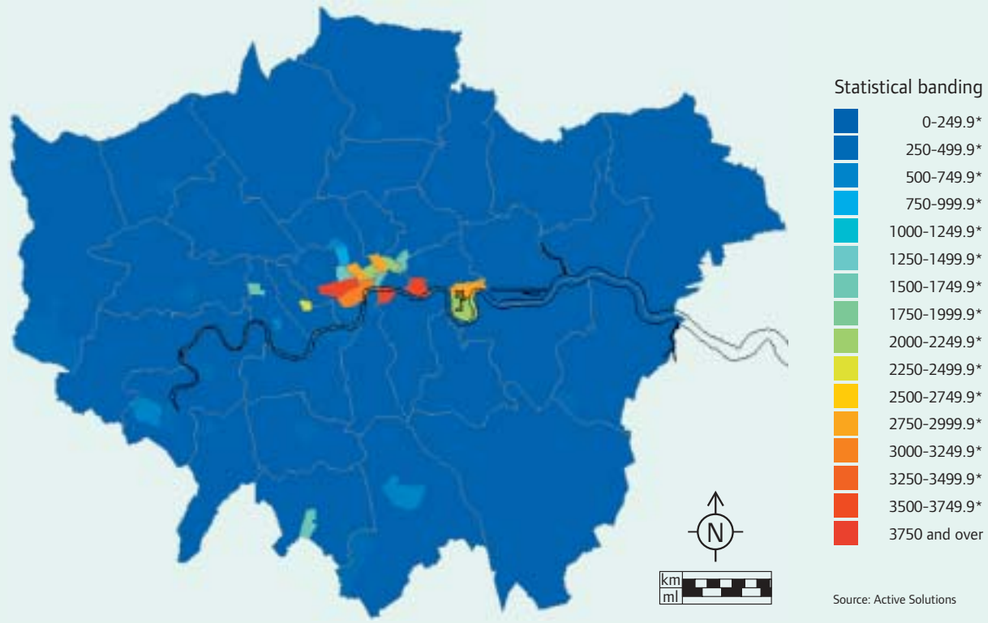
**Film sector employment in London (2000)**




Source: Active Solutions

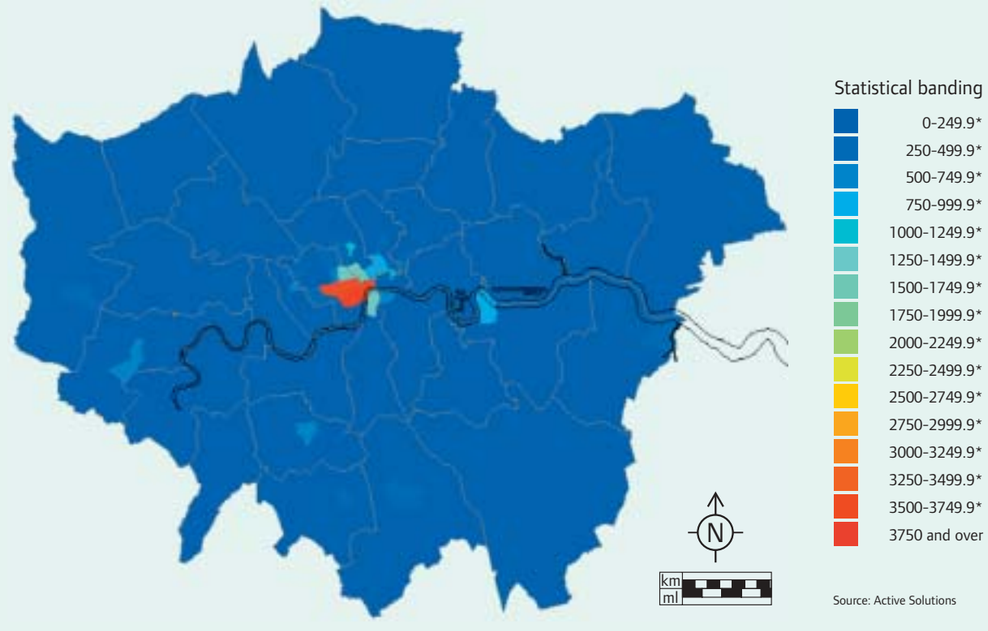


**Publishing sector employment in London (2000)**




Source: Active Solutions

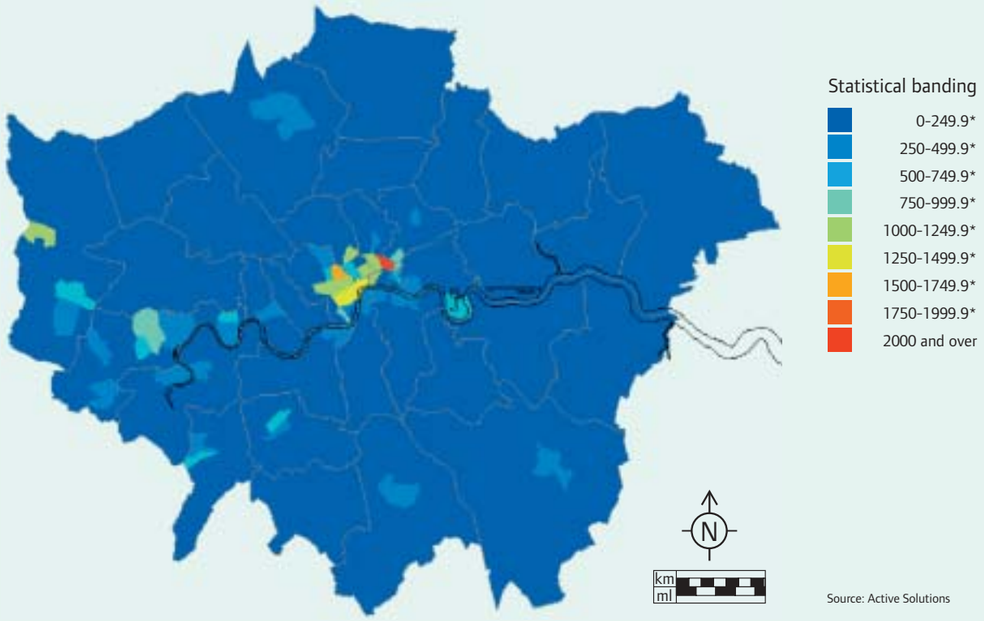
**Music sector employment in London (2000)**




Source: Active Solutions

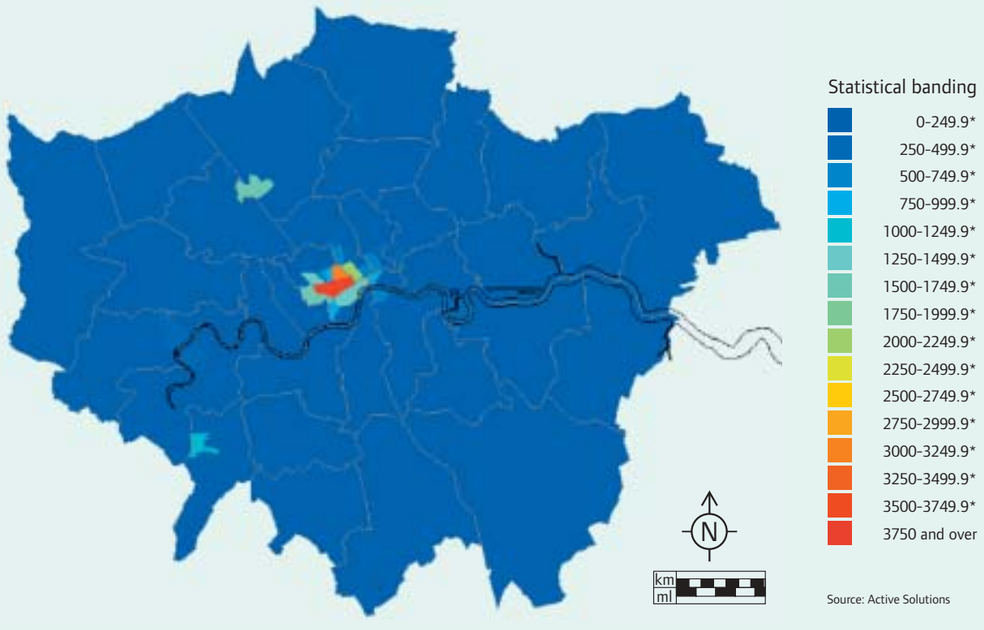
# APPENDIX 2: SPATIAL DISTRIBUTION OF EMPLOYMENT

**Computer games and software sector employment in London (2000)**




Source: Active Solutions

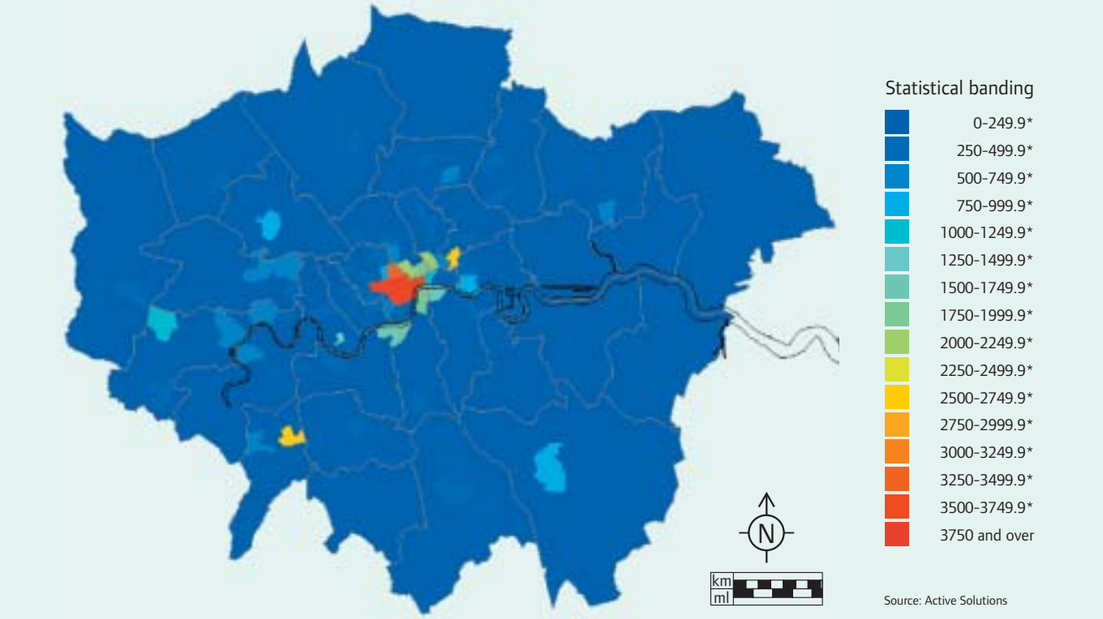
**Advertising sector employment in London (2000)**




Source: Active Solutions



**Designer fashion sector employment in London (2000)**



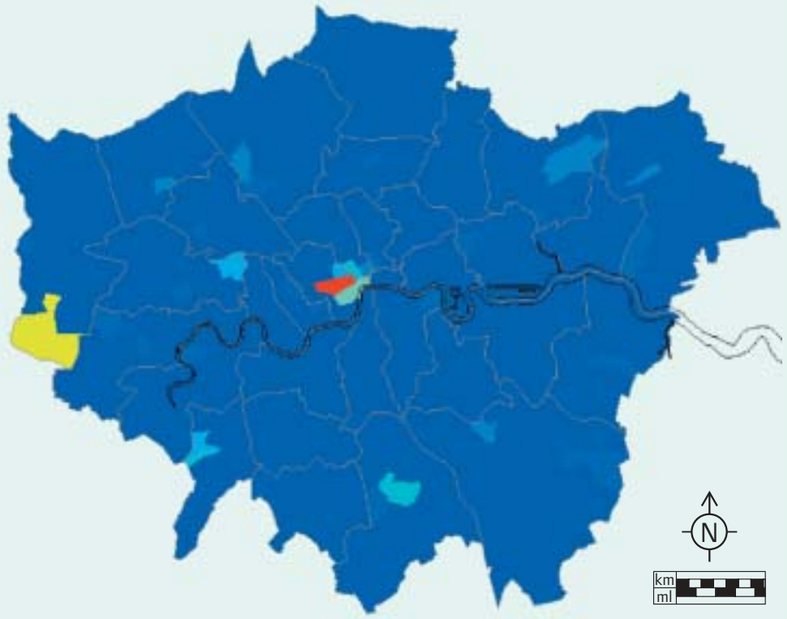

Source: Active Solutions

**Craft sector employment in London (2000)**


Source: Active Solutions

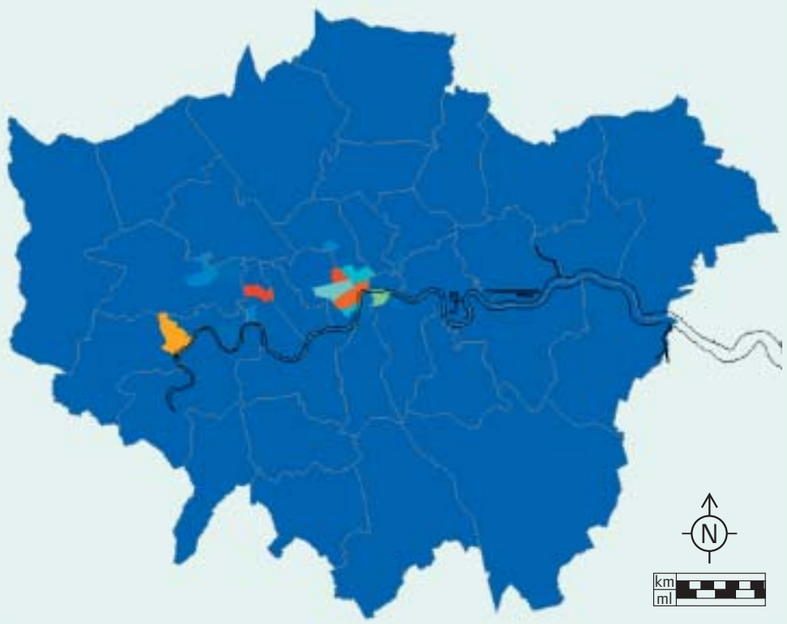
# APPENDIX 2: SPATIAL DISTRIBUTION OF EMPLOYMENT

**Arts and antiques sector employment in London (2000)**




Source: Active Solutions

**Radio and TV sector employment in London (2000)**

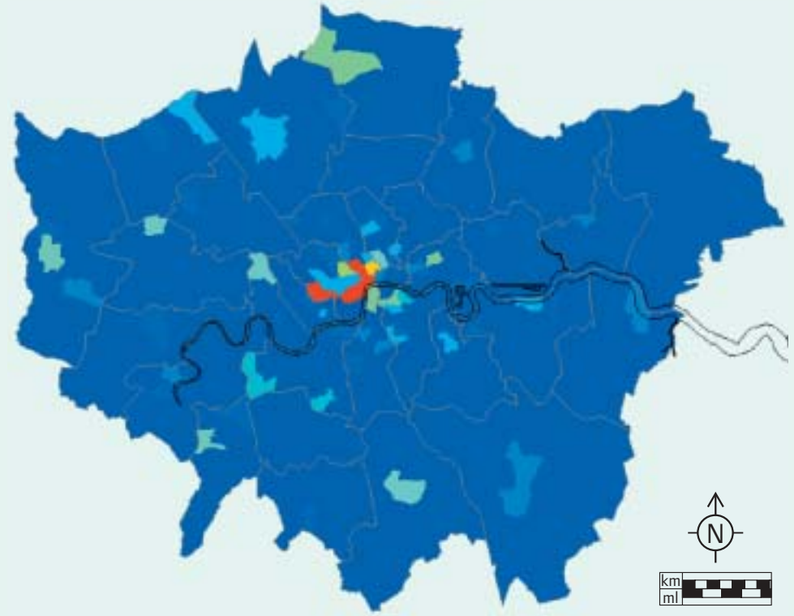



Source: Active Solutions



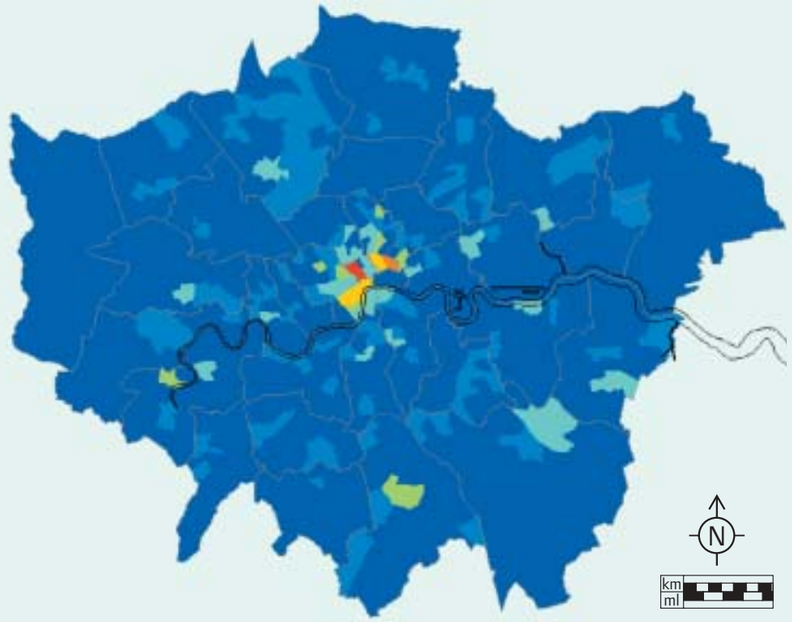
**Public sector**

**Higher education employment in London (2000)**




Source: Active Solutions

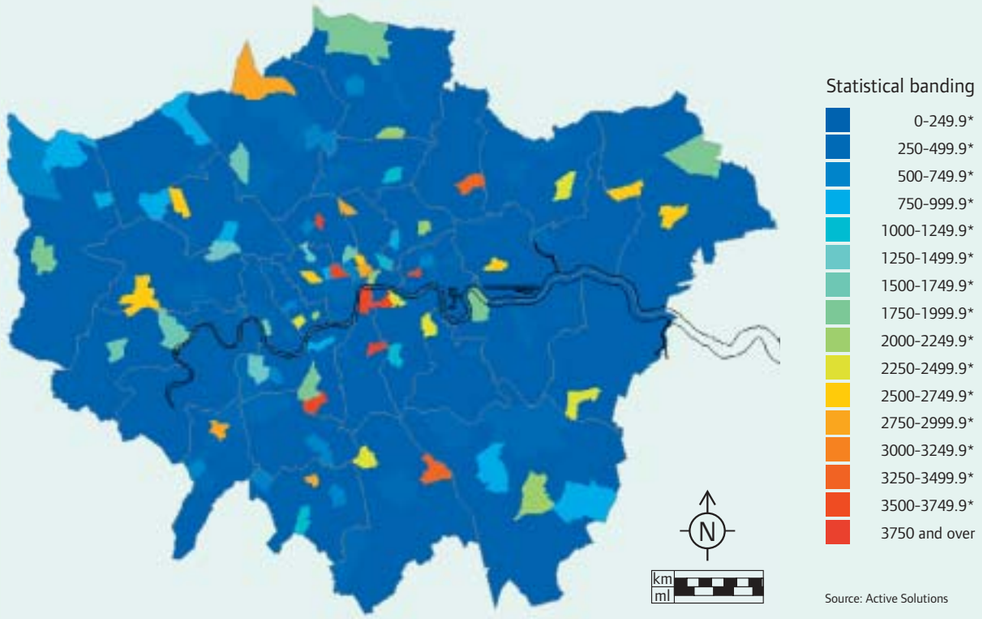
**Health sector employment in London (2000)**




Source: Active Solutions

# APPENDIX 2: SPATIAL DISTRIBUTION OF EMPLOYMENT

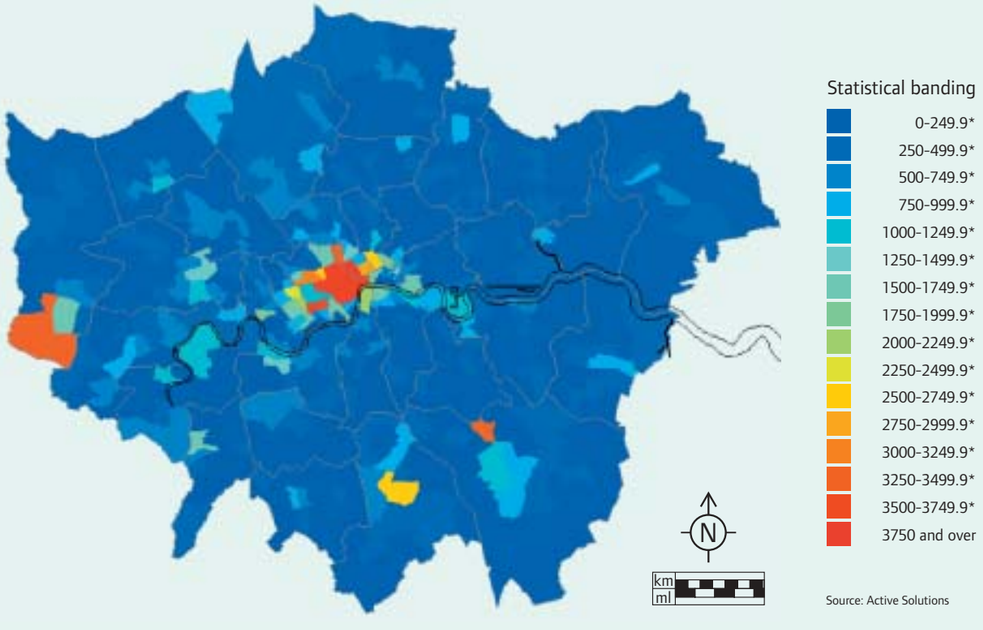
**Social work employment in London (2000)**




Source: Active Solutions

## Tourism and leisure

**Tourism and leisure employment in London (2000)**

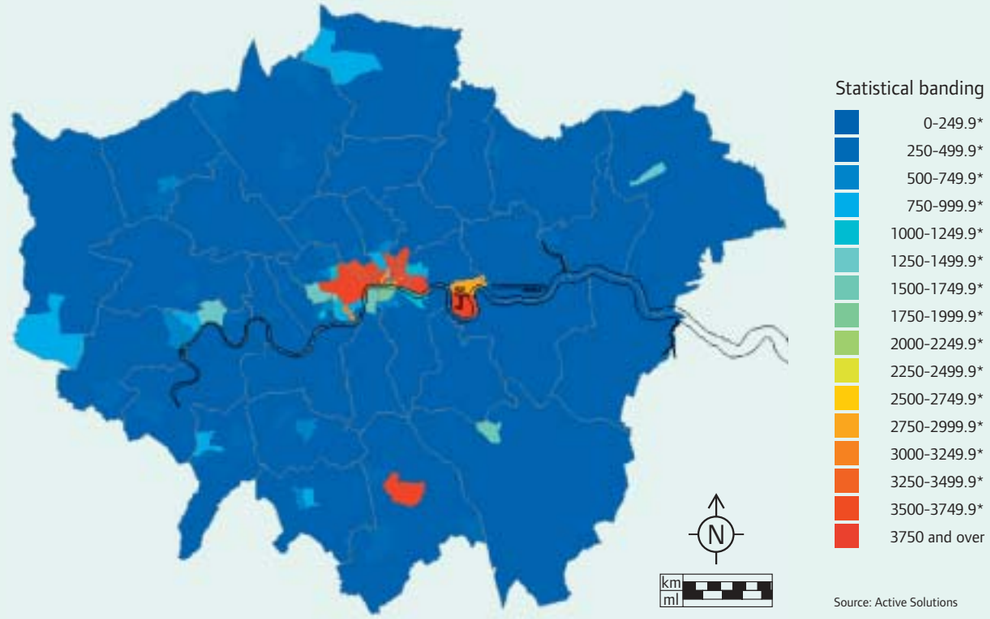



Source: Active Solutions



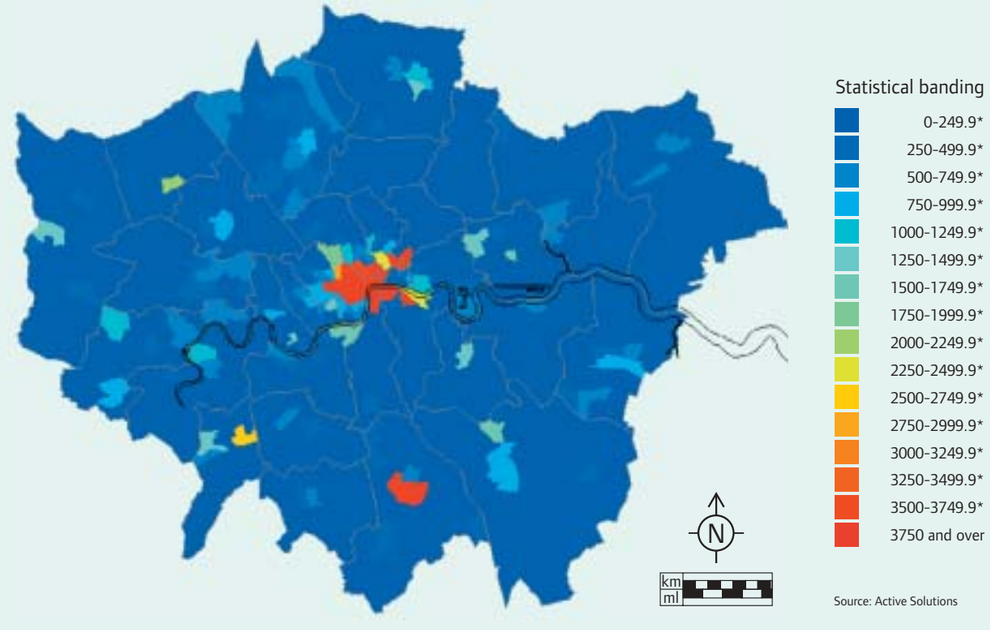
## Financial services

**City-type financial services employment in London (2000)**




Source: Active Solutions

**Non-city type financial sector employment in London (2000)**

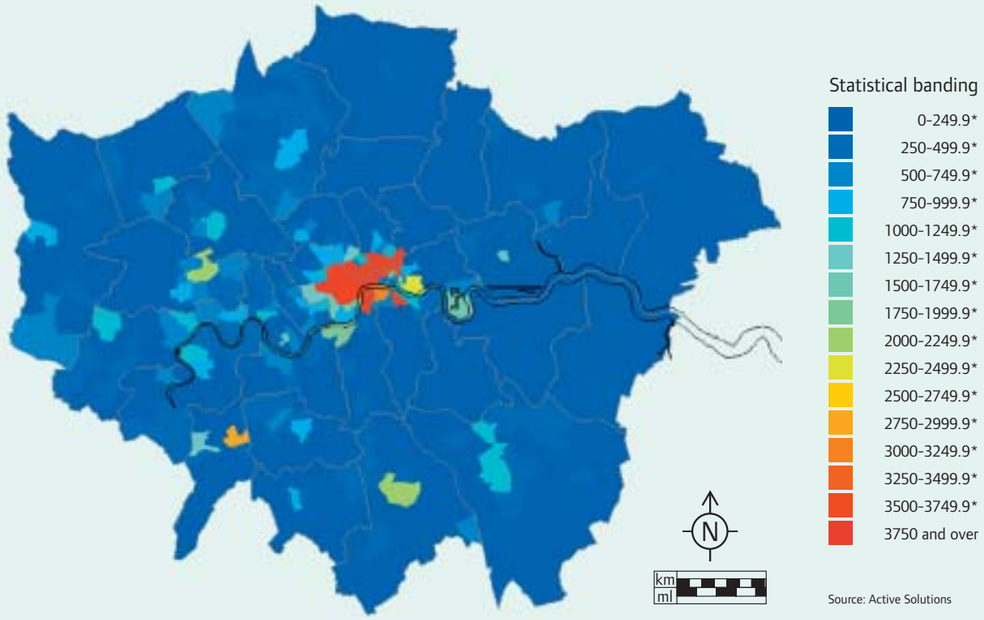



Source: Active Solutions

# APPENDIX 2: SPATIAL DISTRIBUTION OF EMPLOYMENT

## Professional services

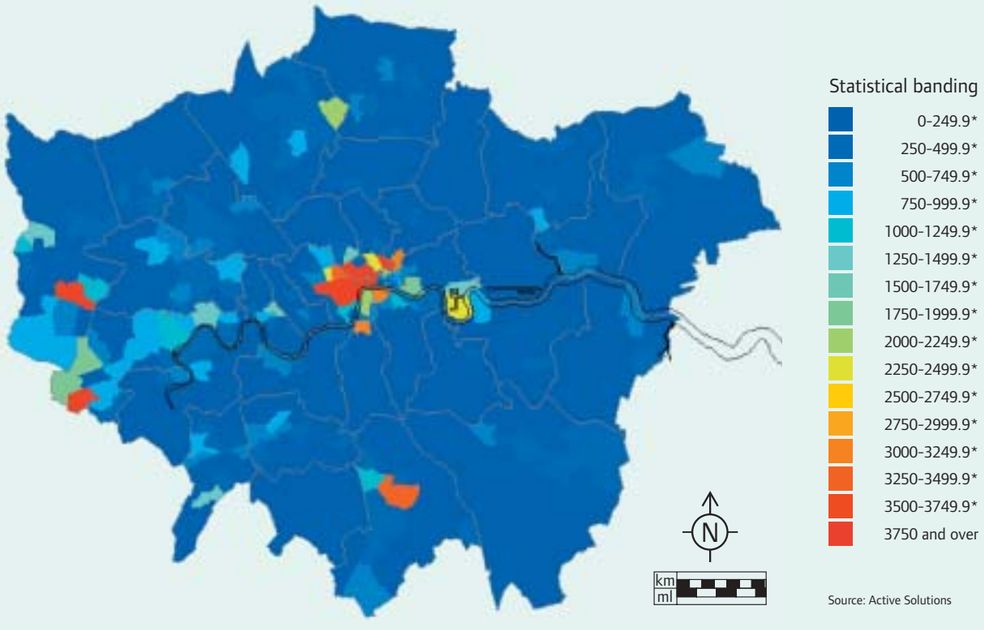
**Professional services sector employment in London (2000)**




Source: Active Solutions

## ICT

**ICT employment in London (2000)**

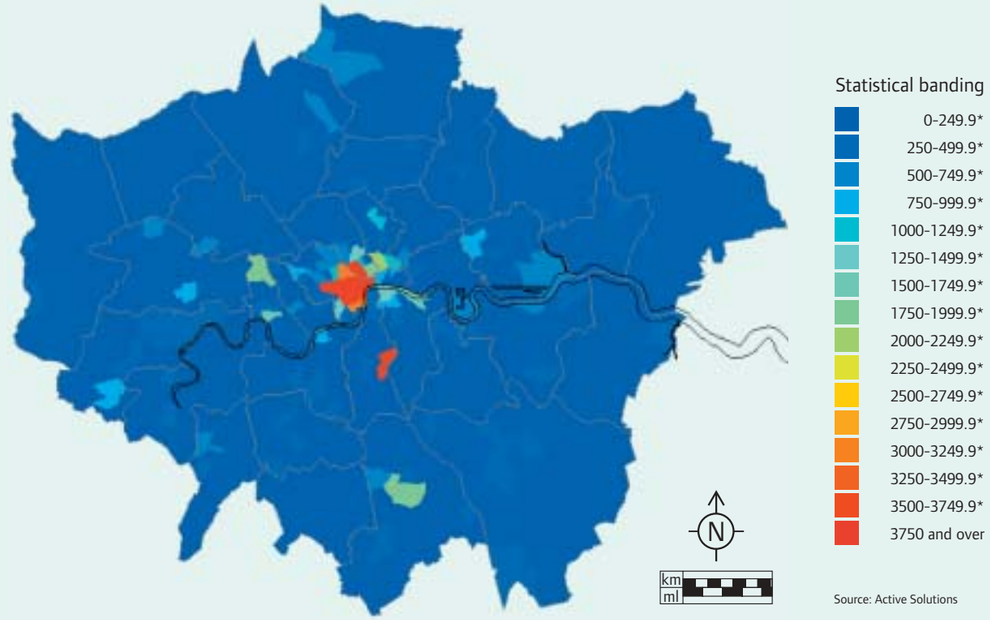



Source: Active Solutions



## Environmental/green

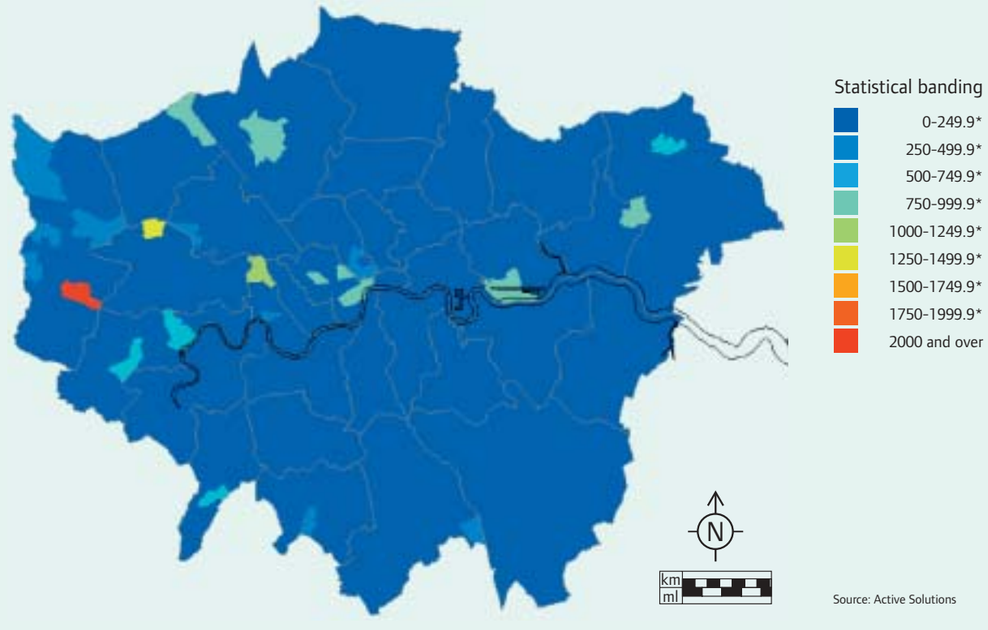
**Environmental and green business employment in London (2000)**




Source: Active Solutions

## Life sciences sector

**Life sciences employment in London (2000)**

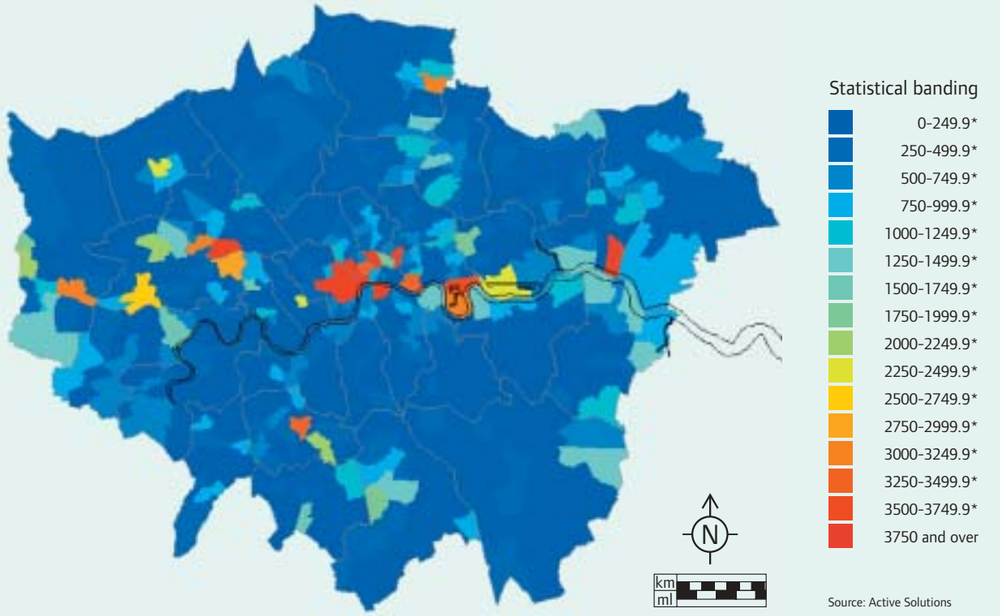



Source: Active Solutions

# APPENDIX 2: SPATIAL DISTRIBUTION OF EMPLOYMENT

## Manufacturing

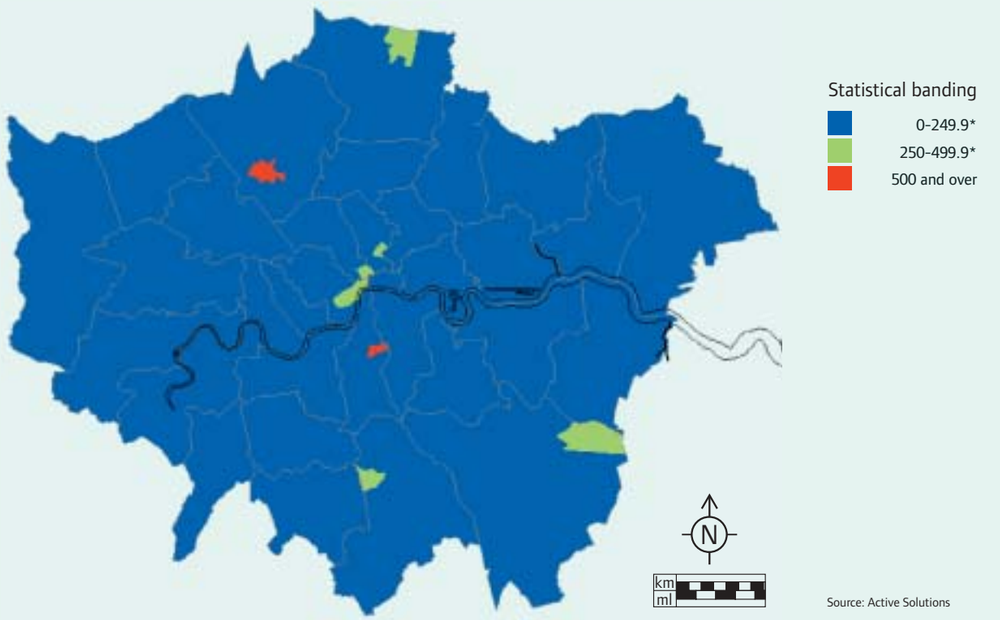
**Manufacturing employment in London (2000)**




Source: Active Solutions

## Other London sectors

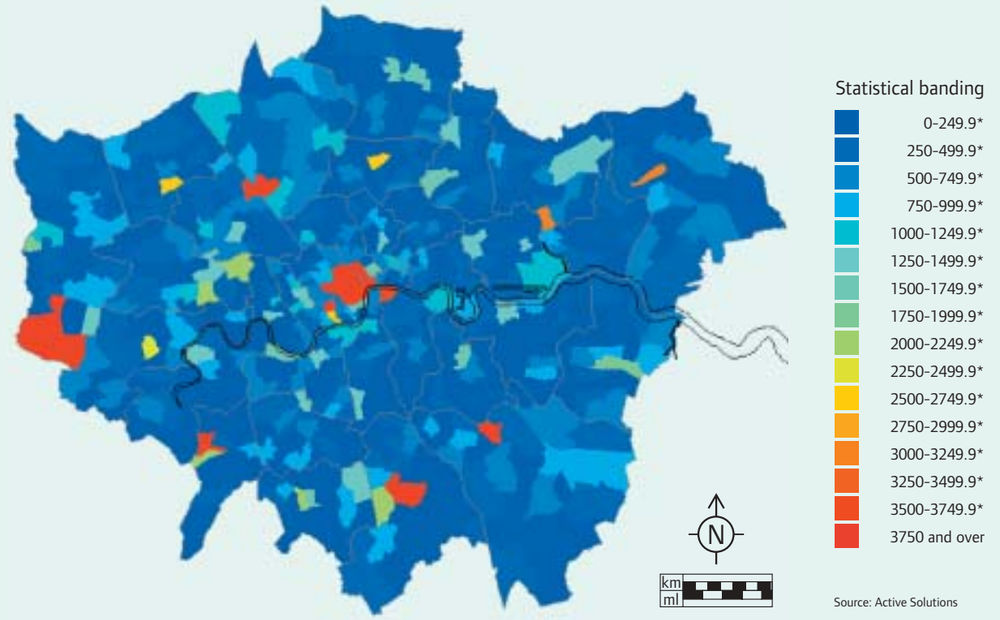
**Utilities sector employment in London (2000)**




Source: Active Solutions

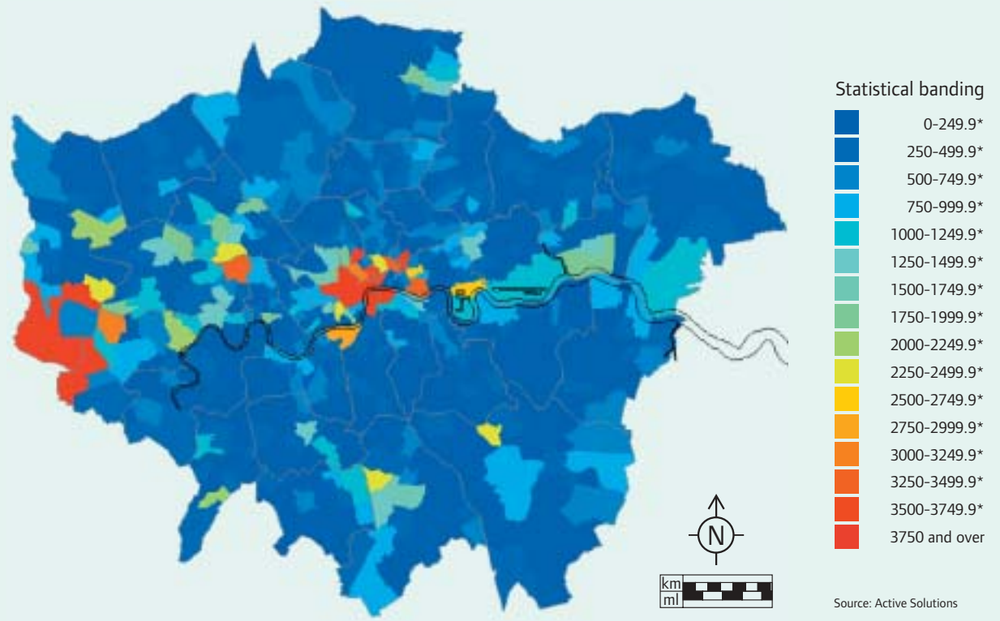


**Retail sector employment in London (2000)**




Source: Active Solutions

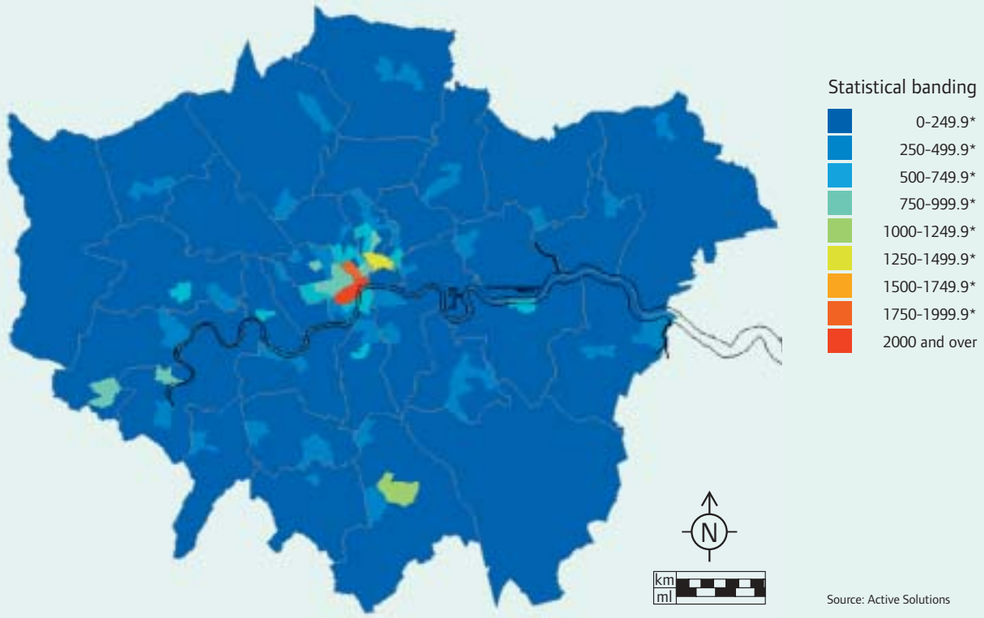
**Transport and logistics employment in London (2000)**




Source: Active Solutions

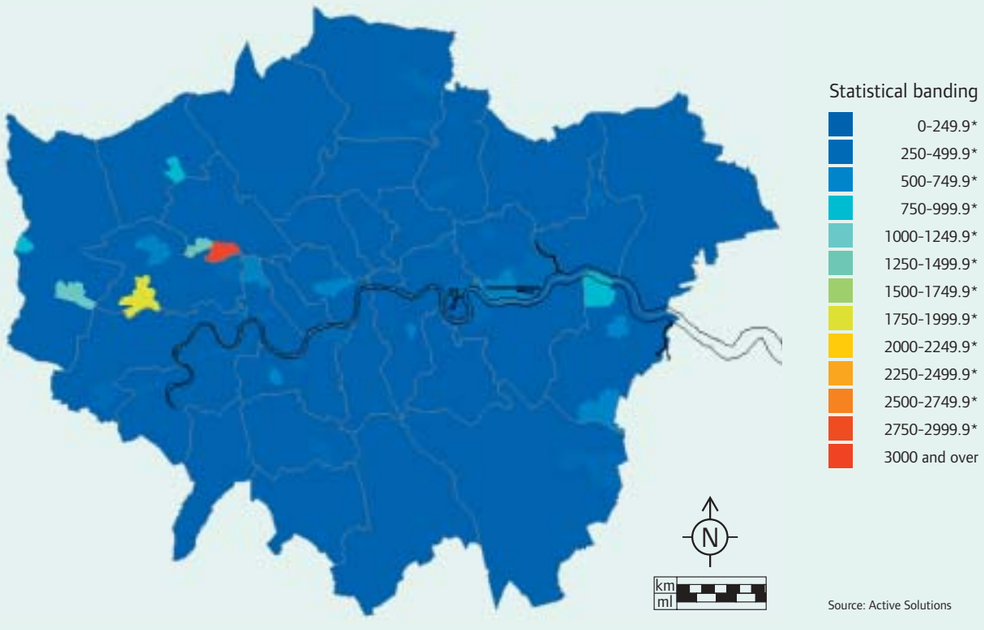
# APPENDIX 2: SPATIAL DISTRIBUTION OF EMPLOYMENT

**Charity and voluntary work employment in London (2000)**




Source: Active Solutions

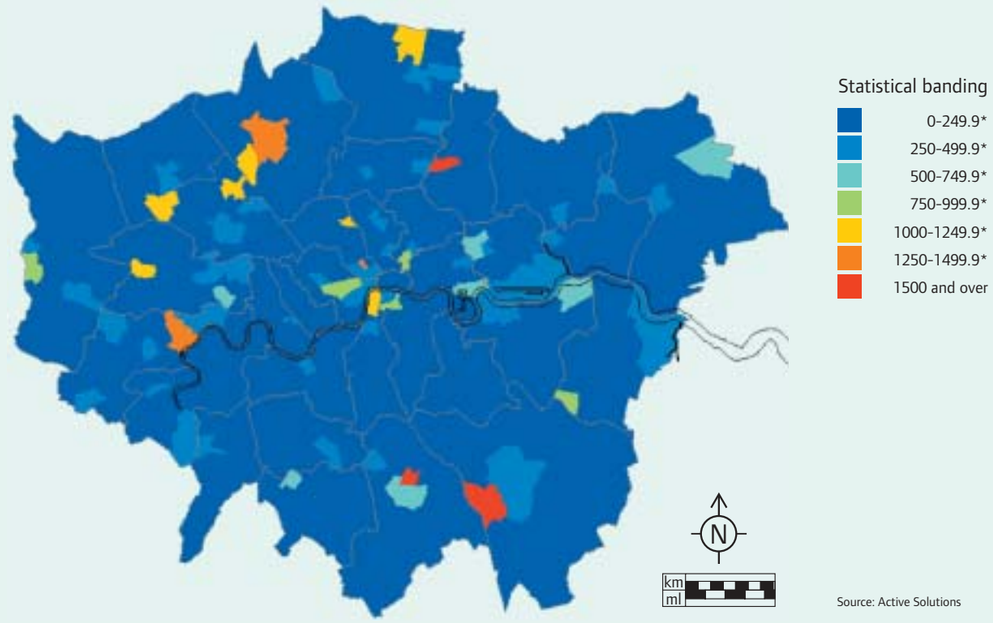
**Food and drink sector employment in London (2000)**




Source: Active Solutions

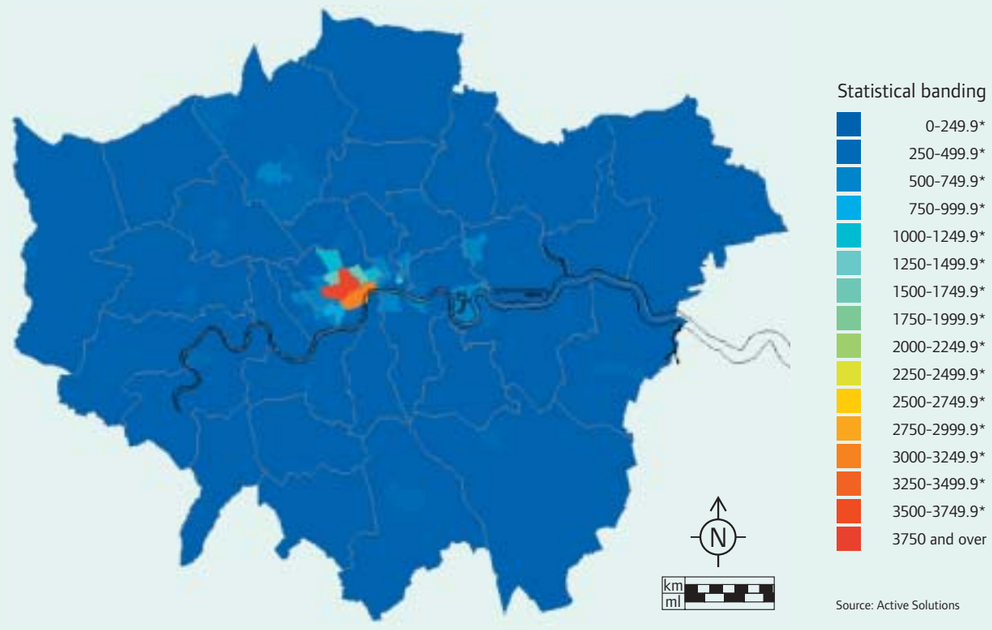


**Construction employment in London (2000)**




Source: Active Solutions

**Real estate employment in London (2000)**




Source: Active Solutions

# APPENDIX 3: BEST PRACTICE EVIDENCE

The report examined practice from other parts of the UK/worldwide. It considered the following:

- Development agencies' reasons for adopting a cluster or sector approach
- Selection criteria used and the sectors most frequently selected for support
- Interventions used to encourage the growth of sectors
- The key lessons and implications for London.

The report covered the Welsh Development Agency, Yorkshire Forward, Advantage West Midlands and Scottish Enterprise in the U.K., IDA Ireland, Enterprise Ireland, Business Area Stockholm, Invest in Sweden Agency, the Emilia Romagna region in the north east of Italy and the New York City Economic Development Corporation in the U.S.

Key findings were:

- Best practice sector specific interventions included:
  - Sector fora led by business to inform strategy, delivery and evaluate actions
  - Development of sites and premises, notably the construction and management of incubators
  - Creation of education-business links
  - New ways of supporting co-ordination and promotion of sectors through improved information systems e.g. sector specific websites
- Collaboration between regions may be desirable. London pulls labour and goods and services into its economy on a daily basis. Integrating activities, where appropriate, with those in the South East and East of England is likely to provide benefits over those undertaken in isolation
- Over-reliance on one or only a few sectors can be problematic and it is important to strike a balance between exploiting regional strengths in particular industries and the establishment of a broader industrial base capable of withstanding economic shocks
- Sector strategies must be living documents which are sufficiently flexible to take into account changing macroeconomic conditions, emerging and declining sectors as well as further research and best practice
- The majority of development agencies reviewed are focusing their activities on between five and eight sectors
- Effective intervention does not necessarily necessitate the establishment of new initiatives. Many existing schemes are extremely successful and effective and easily transferable.



**Other languages and formats:**
A summarised version of this document is also available in large print, braille, on disk, audio cassette and in the languages listed below.

For a copy, please email **communications@lda.gov.uk**, telephone 020 7954 4500 or write to London Development Agency, Devon House, 58-60 St Katharine's Way, London E1W 1JX.

**Gujarati**

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

**Greek**

Αν θα θέλατε ένα αντίγραφο του παρόντος εγγράφου στη γλώσσα σας, παρακαλώ να τηλεφωνήσετε στον αριθμό ή να επικοινωνήσετε στην παρακάτω διεύθυνση.

**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.

**Vietnamese**

Nếu bạn muốn bản sao của tài liệu này bằng ngôn ngữ của bạn, hãy gọi điện theo số hoặc liên lạc với địa chỉ dưới đây.

**Turkish**

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**Hindi**

यदि आप इस दस्तावेज़ की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नम्बर पर फोन करें अथवा दिये गये पता पर सम्पर्क करें।

**Bengali**

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন্ নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

**Chinese**

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**Arabic**

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**Urdu**

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www.lda.gov.uk

Devon House
58-60 St Katharine's Way
London E1W 1JX

**T** 020 7680 2000
**F** 020 7680 2040