

Just Space Economy and Planning Review of GLA Economic Evidence Base May 2016

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Part 1: Introduction and context

This document has been prepared by the Just Space Economy and Planning group as part of ongoing engagement with the GLA Economics team, in response to the Economic Evidence Base February draft. The following JSEP members have contributed in particular with analysis, references and text to shaping this response: Dr Jessica Ferm (UCL), Dr. Patria Roman Velazquez (Latin Elephant and Loughborough University in London), Michael Edwards (UCL), Myfanwy Taylor (UCL), Rachel Laurence (NEF), Mark Brearley (CASS Cities), Roy Tindle (Charlton Riverside), Richard Lee (Just Space), Ilinca Diaconescu (London Gypsies & Traveller Unit), Lucinda Rogers and Krissie Nicholson (East End Trades Guild).

About Just Space Economy and Planning

Just Space is a network of community groups, campaigns and concerned independent organisations, formed in 2006 to act as a voice for Londoners at grass-roots level during the formulation of London’s major planning strategies. Just Space Economy and Planning (JSEP) was set up in 2013 with the aim to build capacity within the Just Space network to participate in and influence the development of planning policy in London on economic issues.

A particular problem faced by groups and individuals wanting to participate in statutory planning consultations in relation to economic issues in London has been the dominance of groups such as London First and the City of London. Many other sources of knowledge about London’s economies exist, both within communities and universities. Just Space Economy and Planning is seeking to connect up these forms of knowledge, supporting participation in planning on economic issues in London by a greater diversity of groups, interests and interpretations.

The aims of JSEP in engaging in dialogue with GLA Economics (GLAE) on the Economic Evidence Base are:

- to contribute evidence and interpretations to the GLAE team reflecting the knowledge and experience of community and business groups in London including those of small and social enterprises;
- to question and in some cases to challenge the framing and implicit theorisation of 'economic' objectives and processes which are considered to be unduly influenced by the interests of corporate / big business, especially financial and property interests. Such approaches pay inadequate attention to the needs of Londoners —especially low- and middle-income Londoners— and the potentialities of parts of economic and social activity which contribute strongly to the welfare and wellbeing of citizens and the robustness of our economy.

JSEP engagement with GLA Economics

In August 2015, GLA Economics invited the Just Space Economy and Planning group for a consultation meeting regarding the Economic Evidence Base, as a result of JSEP's representations on the Further Alterations to the London Plan. JSEP held two meetings with GLAE on 25th September 2015 and 19th November 2015, to discuss the initial scope of the EEB presented by GLAE, focusing on three substantive issues: a) Diversity & interdependencies, b) What type of economic development do we want? c) Workspace pressure.

Under each theme JSEP made a series of requests for evidence and submitted a list of references to research papers, academic literature and other studies, to inform the EEB:

- a) Diversity and interdependencies
 - Dedicated sections analysing the contribution and characteristics of SMEs, social enterprises, self-employment etc
 - Include area-based quantitative studies and qualitative studies to offer a different perspective to the macro modelling and sector-based analysis (Park Royal and LLDC studies may be good models).
 - Consider the potential for productivity gains and wage growth across all parts of the economy – not just highest GVA sectors in which London may have a specialism.
 - A dedicated section dealing with the inter-dependence of economic activity - local supply chains, local investment multipliers, resilience and adaptability, outsourcing, local and London-wide (and wider) spatial links – and its implications for economic development approaches and the circular economy.
- b) What type of economic development do we want?
 - From the start, and throughout, a much broader range of economic indicators should be considered, beyond London's sectoral specialisms. For example, employment, income levels, progression opportunities

and other economic outcomes across equalities groups. The growth of in-work poverty adds urgency to this missing dimension.

- Analysis of the implications of the economic geography of London's projected growth for worker travel patterns, including emissions and access to work for low-paid/part time workers and those with caring responsibilities, and for local supply chains, including emissions and road congestion.
 - Historic and projected analysis of the losses and gains in types of enterprises and jobs as London's economy changes over time, and the analysis of these changes in relation to key economic, social and environmental issues.
- c) Workspace under pressure
- Land use planning and SIC categories are not helpful for analysing the economic functions of employment land. There needs to be acknowledgement and consideration of this.
 - We would like to see an analysis of the existing and forecast impact of existing and potential extension of permitted development rights. What are the implications of these new flexibilities for the Mayor's approach to managing the release of employment land and GLA/borough capacity to plan more generally? What analysis and monitoring will be undertaken?
 - We would like to see an analysis of the sensitivity of enterprises to rent levels and locations included.

GLAE indicated that some of these topics are likely to be featured in the EEB (e.g. analysis of SMEs, self-employment and social enterprise; productivity of the different sectors of London's economy; employment breakdown by different groups; wage distribution; impact of Permitted Development Rights on office to residential conversions only).

Other topics, particularly related to the inter-dependence of economic sectors and the spatiality of the economy might be covered by forthcoming work such as the Description of London's Economy and the Trends Business Research study on the spatial nature of businesses in London; however these would be based on quantitative rather than qualitative research.

Most of the requests related to area-based evidence, local supply chains, impacts of growth and agglomeration in particular sectors and Opportunity Areas on socio-economic and environmental issues were seen as difficult to accommodate, either due to a lack of resources or because they were considered to depend on a political steer.

The Draft EEB was issued in February 2016 and a further meeting was held on 18th April 2016 to discuss JSEP's initial comments. The Draft EEB will be revised by GLAE after the election in the light of informal consultation comments and directions from the new Mayor.

Part 2: Comments on the GLA Economic Evidence Base

Overall comments

a) The nature and purpose of the document

The Economic Evidence Base has been prepared as part of a process of “evidence-based” analysis, which will be used to inform ‘policy’ documents, most importantly the next London Plan. The implied assertion is that such work is ‘objective’, ‘neutral’, ‘factual’ - in contrast to ‘policy’ positions, ‘values’ and ‘distributional considerations’ which are the proper sphere for politicians (or perhaps planners), not economists. Our challenge to this is that the EEB is fundamentally value-laden in two respects:

- (i) through its selection of topics, sectors, variables to focus upon
- (ii) through the framing of the narrative in an implicit theorisation which accords merit to market processes and outcomes which are naively assumed to be benign.

Under (i), there is:

- Still a strong focus on export-oriented and high-value-added sectors, very little attention to complementary and other parts of the economy and nothing on migrant, ethnic or other diverse economies.
- An emphasis on specialisation as the driver for London’s global city status, with no acknowledgement of the importance of diversity or the interdependence of sectors.
- A strong spatial focus on central London, in particular the CAZ, with little attention paid to the rest of London and its economies.
- A focus on clustering and the geography of some sectors – though nothing at the neighbourhood scale
- No research or discussion of what happens to the wealth generated through London’s economy. For example how much of the profits generated by businesses based in London are paid in tax; re-invested into business (as opposed to paid out as dividends or interest); spent on wages (and whether this is rising over time, as growth goes up, or not); and distributed across socio-economic ‘classes’ within the population. The growing importance of (actual and imputed) rents is not yet considered.
- Data on startups but nothing on sustaining the jobs we have. No broader analysis of the contribution and characteristics of SMEs, social enterprises, self-employment.

On (ii) occasionally the implicit theorisation shows, as in the following phrase on losses of employment land:

The loss of employment land in London’s industrial estates is seen as a risk by some commentators, as they can be valuable sources of employment in sectors such as distribution, manufacturing, construction, catering and other light industrial uses. The alternative perspective is that the market should determine the optimal use of

industrial land through price signals and these industrial premises may be better located elsewhere in terms of economic efficiency. (p.170)

“Some commentators” in this context are defined in the EEB endnotes as JSEP, not acknowledging that the same critique has been made by organisations such as the British Property Foundation and Barton Willmore.

London’s land and property markets have operated since 1947 in the context of use classes so that distinct sub-markets have become deeply established, with big differentials between some uses – notably today between land with ‘industrial’ and ‘residential’ use rights. The proposition that “...the market should determine the optimal use of industrial land...” entirely disregards this institutional history, disregards the externalities pertaining to distinct uses in particular locations, the massive credit, subsidy and policy support enjoyed by the housing sector (and not by industry) and reflected in housing land values (not to mention the ‘problem of the second best’).

As previously pointed out, JSEP has provided a comprehensive list of references to GLAE to inform particular sections of the document. However none of these have been included in the draft document. In many instances throughout the EEB this has resulted in a very skewed representation of the issues at hand, rather than an objective, multi-dimensional analysis. In particular, the section on international migration to London failed to take into account the wealth of evidence submitted by JSEP on migrant and ethnic economy, focusing on a narrow and in our view discriminatory perspective. This raises concerns about the nature of engagement with JSEP and whether it has been any more than a tick-box consultation exercise.

The EEB was discussed at the Just Space community conference on 28th April, where many participants criticised the approach to producing this document for its lack of democratic accountability. Most of the suggestions made by JSEP to the GLAE have been dismissed as dependent on policy positions, yet they reflect concerns and pressures facing London’s communities and diverse economies. By focusing on a particular discourse and range of topics, the EEB is reinforcing the status quo and limiting the possibilities to develop more suitable policy proposals to address these issues and more fairly reflect the interests of low- and middle-income Londoners. In the next iteration of the EEB we wish to see a broader range of evidence reflecting the diversity of London’s economy at all scales, a more detailed and careful analysis of costs, benefits, risks and impacts to inform a genuine dialogue on policy and strategy options open to democratic deliberation.

Just Space remains strongly opposed to the treatment of these crucial issues as ‘technical’ and ‘evidential’ and thus excluded from policy discussion and debate.

References:

Barton Willmore 2015, London’s Industrial Land Under Threat,
<http://www.bartonwillmore.co.uk/londons-industrial-land/>

British Property Federation, 2015, Government must encourage industrial development as well as housing, <http://www.bpf.org.uk/media/press-releases/bpf-government-must-encourage-industrial-development-well-housing>

b) The lack of connectivity between different chapters and themes in the EEB

The 7 chapters of the EEB have different authors and currently few connections have been made between the chapters and different themes. The most glaring is that little connection seems to be made between the acknowledgement that London in fact performs badly on most socio-economic indicators (apart from education attainment levels) and the assertion that its economy is extremely successful in terms of productivity. These two messages in the report appear unlinked and unexplained; and certainly, there is no indication that the economic performance and structure of the economy might be responsible for the problematic socio-economic indicators. For example, in listing the future risks of agglomeration effects, whilst high costs of housing and competition over space use is mentioned, this is only in the context of it ultimately slowing growth down – not making the connection also that this increased trend is likely to further worsen the socio-economic indicators, in-work poverty, air pollution and other negative variables.

c) The nature of the economy

The first chapter that describes the nature of London's economy and frames the report focuses almost exclusively on specialisation as a driver of London's growth and competitive advantage. It does not acknowledge the body of theoretical and empirical work, which looks at economic diversity as a driver of urban growth (e.g. Jacobs, Duranton & Puga, Glaeser, Buck et al). Nor does it acknowledge that London's growth has historically been driven by its diverse economy. Although increasing specialisation in certain sectors has been a feature of its growth in more recent years, this specialisation co-exists alongside diverse economic sectors. The EEB should acknowledge the range of evidence and explore in more detail diversity as a source of long-term success for London. The loss of diversity in London's economy could be a real threat in itself, but this is not explored. By focusing on sectors in London that are specialised, on the 'globally significant' parts of the economy, and on agglomeration in central London, the EEB ignores the majority of the rest of the economy. If more than half of the economy is outside the centre, what does this economy look like and what is the nature of these jobs?

d) The spatiality/geography of the economy

The EEB is mostly de-coupled from the geography of London; there is a skewed focus on notable agglomerations and specialisations in the CAZ and Isle of Dogs, and an under-emphasis on the geography of the more generic majority of the economy. In particular there is no mention of the accommodation challenges we face. There is some sector-based analysis and mapping, but there is no spatial

illustration of London's economy as a whole, showing where the jobs outside the CAZ are located, the importance of High Streets and industrial areas, revealing the dispersal of employment across the capital. There is no mention anywhere of the changing geography of London, which has seen the suburbanisation of London's poverty and lower-value jobs, driven by accommodation challenges, particularly workspace availability and affordability. While there is some mention of the potential negative consequences of agglomeration and emerging accommodation shortages in Chapter 4, this does not come across as a major matter.

Through the presentation of Alonso's bid rent model, there is an inference that the matter is somehow self-correcting. There is no real acknowledgement that the provision of accommodation for various activities in cities is slow to respond to market changes and that, in London, the market for accommodation is distorted, intervened in, differentially subsidised, and partially managed by layers of government (cf page 5 above). It simply cannot be assumed that the actions of market participants will tend towards some optimum or benign outcome. Most of the second chapter of the EEB is on spatial patterns and clusters, and on transport. This is informative but does not grapple with the important issue of the implications of the economic geography of London's projected growth for worker travel patterns, including emissions and access to work for low-paid/part-time workers, those with caring responsibilities, and for local supply chains, including emissions and road congestion. It entirely avoids the distributional, gender and environmental effects of this emerging geography.

e) London's people and socio-economic issues

The two chapters on London's people (Chapter 6) and Socio-economic issues (Chapter 7) need to be more effectively integrated into the rest of the report, rather than appearing as an add-on. The discussion needs to be framed in the context of the rest of the EEB and connections made between the success of London as a global city and the poor performance across many of these socio-economic indicators. The sections on affordability need to be discussed in spatial terms (see earlier commentary). The analysis on inequality focuses only on income distribution and all sections in this chapter are generally missing detail and breakdown by ethnicity, gender or disability.

Mention of migrants/migration tends to be in the context of the negative impact of migration, for example the impact on UK workers – whether falling earnings coincide with migration increase and the displacement of UK workers by migrants. There needs to be more emphasis on the positive impact of migration; the importance of migrant and ethnic-owned businesses to the capital, the relatively high skill levels of migrant workers and the positive influence on businesses. Again, the discussion comes across as value-laden.

References

G. Duranton, and D. Puga, 'Nursery Cities: Urban Diversity, Process Innovation, and the Life-Cycle of Products', *American Economic Review* 91, no. 5 (2001): 1454–1477.

Detailed comments on the EEB chapters

Chapter 1: State of London's economy, trade and specialisation

This first section talks about globalisation and its impact on London's economy, but emphasises only the benefits in terms of trade and specialisation in areas of competitive advantage. There is no acknowledgement here of the negative impacts of globalisation, that there are costs as well as benefits. The focus on specialisation is at the expense of acknowledging that historically London's economy has been driven by its diverse economy. There is no analysis on the interdependencies between different sectors of the economy and on the contribution brought by sectors such as transport, storage and distribution, manufacturing, repairs, wholesale etc to the dominant specialisms

The detailed analysis in this section does show that London's goods exports are growing, and reveals the growth sectors (which could merit further analysis, including the productivity record of manufacture) but the summary points at the beginning and in the Executive Summary emphasise only growth in service exports.

Additional reference

It is 15 years since Buck and others (2002) pointed out that most of the London economy serves London and national markets, in a (seemingly vain) attempt to stem the over-emphasis on globally-oriented sectors in public policy debates.

The chapter acknowledges the contribution that SME's have for London's economy and presents evidence that suggests that SMEs employ a significant working force in London. However, regeneration schemes in London are taking place in deprived areas where there is a high proportion of diverse ethnic populations. Minority ethnic groups and migrant and ethnic businesses are disproportionately affected by regeneration schemes in London. The chapter lacks evidence on diversity of economic activities, alternative economies and inter-dependencies amongst these smaller alternative economies in London. Absence of evidence on these economies is a missed opportunity to promote inclusive economic and urban policies for all Londoners.

Minor corrections:

- Fig 1.18 is problematic because the under-bounding of the London economy by the GLA boundary makes this a very tenuous comparison, given how much of the metropolitan area's manufacturing and logistics is housed beyond the GLA boundary. Comparisons with other cities are

especially tricky since the degree of under-bounding will vary. Comparisons with national structures are a separate problem.

- Fig 1.21 Shows absolute changes, not % as stated in the caption.
- P29: GVA/head. Presumably GVA is measured at the workplace (i.e. for all jobs within Greater London), the population by which it is divided is the population resident in the GLA. Net in-commuting approaching a million workers will mean that the output of a much larger number of people is being treated as though it were super-high productivity of London activity. If this is the case there should be a comment in text or a correction or at least an endnote. The ONS technical note linked by endnote 30 says “Total GVA estimates in millions of pounds (£m) are divided by the resident population of a region to give GVA per head in pounds (£). This can be a useful way of comparing regions of different sizes, provided there are no large commuting flows into or out of the region”

Reference:

Buck, N., I. Gordon, P. Hall, M. Harloe and M. Kleinman (2002) *Working Capital: life and labour in contemporary London* London, Routledge

Chapter 2: The spatial characteristics of London

This section places undue emphasis on the agglomeration of economic activity in the CAZ and Isle of Dogs. There are some welcome additions of maps later in this section of clustering and employment concentrations in various sectors, which show the importance of some areas outside the CAZ. However, the general thrust remains central London. For example in the Introduction (2.2), it is stated that over two million jobs are in the CAZ, Isle of Dogs and their fringes. But the other two million (plus) jobs in the capital are not represented here. More than 50% of jobs are not in the central ‘agglomeration’ but there is little information on the spatial distribution of the remaining jobs, aside from some brief mention of the importance of Heathrow/Hillingdon as another significant concentration. The emphasis on ‘concentrations’ of employment is somewhat misleading. There is no recognition of the importance of High Streets, industrial estates, isolated industrial sites, self-employment and the fine-grained dispersal of employment activity across London.

The spatial weakness of the economic analysis, and the skewed focus on notable agglomerations and specialisations (and hence under-emphasis of the more generic majority of the economy) is masking the size of the accommodation shortage problem. For example, if the significance of key features such as outside-the-centre high streets and industrial areas was explained (between them these accommodate around 46% of London’s jobs) then surely the risks that accommodation shortages present would be more apparent. If London was

to lose a large proportion of its just-in-time fabrication, perishable food manufacture and preparation, its vehicle repair and servicing, its waste handling and recycling, its builders merchants, its art and craft / cottage industry production, and some types of retail, leisure and higher education, then we would notice and be alarmed. This bad scenario is possible, as the 'release' of industrial accommodation alone currently threatens to squeeze out several % off London's economy (this accommodation currently houses over 10% of the job generating economy), and could reduce diversity and break some key synergies (garment design without sampling facilities, film and theatre without prop and set production, for example, do not work).

There is also no discussion in this section of the costs of agglomeration, but again the focus is on the benefits. This does come later (section 4), but this should be at least flagged and cross-referenced here.

Some interesting maps of functional boundaries (2.3) are presented showing the various ways we might consider London's boundaries (travel to work, functional urban areas etc), but the full implications of the choice of the GLA boundary for the various analyses in the report are not discussed.

The analysis of economics of land use (2.8.1.2) is weak, especially in its assumption that prices paid for housing reflect the productivity differentials among workers. It thus implicitly assumes that the land use distributions determined through the interplay of bids in a 'market' process is somehow 'efficient' or benign. (See our comment on page 5) The statement on p.103 that says "*unlike office and retail space which tends to cluster centrally, industrial and warehousing space in London instead tends to concentrate in particular 'wedges' or 'pockets' in order to afford easy access to markets in and out of London*" would seem to contradict Alonso's model and it does not acknowledge the role of planning. In fact planning controls on land use and density have been in operation for many decades and structure the markets in which we have inherited land use patterns. Furthermore the causes of house prices and house price differentials are very complex, including financialisation and tax regimes. Thus the serious problems of "housing trumps all" are invisible.

Price competition between commercial and residential space (2.8.1.3.3) – p.105 states that DCLG data shows that "only limited amounts of land in London had switched to residential use in 2013/14". This is not sufficiently clear, in terms of defining what 'limited' is and when it becomes significant. The issue goes beyond quantity as well, for example lower-value commercial space is more vulnerable to conversion than higher-value space, therefore some sectors will be more vulnerable than others. The growing business/civic accommodation shortages in London threaten economic life that can be measured in the hundreds of thousands of jobs, and are in danger of dampening the entrepreneurial dynamic

of the city, could drive away large numbers of skilled and energetic people from who London's economy should want to benefit.

London is simultaneously placed amongst global and local discourses and as such it raises questions about scales of local economies and the pressures it places on inner London boroughs to compete for their place in the global economy. Intra-urban competition amongst London's most deprived inner London boroughs is focused on land value due to their proximity to London's Central Activity Zone (CAZ). The evidence presented about clustering of economic activities by employment in London CAZ highlights this aspect. So, geographical proximity to London's CAZ becomes the focus for investment in London's other urban centres, particularly those identified as Opportunity Areas in the London Plan. The socio-cultural impact that intra-urban competition places on deprived inner London neighbourhoods should be fully explored (probably in Chapter 7).

Most of the chapter is focused on spatial patterns and clusters, and on transport. Some aspects are informative but it entirely avoids the distributional, gender and environmental effects of the proximity of jobs to homes and spatiality of local services. Box 2.1 on resident/job density relationship rather ignores planning, and especially the imperative of reducing the need to travel by actively securing shorter trips.

The chapter ends with under-occupancy but there is no reference of overcrowding and homeless, or a cross-reference to other chapters that might address these issues. Similarly, there is no analysis of the spatiality of poverty, low-pay, unpaid work.

Minor corrections:

- Pages 102-103 show measurements in square feet and acres; this needs to be standardised throughout the document.
- Page 119 :“In London, three quarters of tall buildings are three stories or less, ...” implies that all buildings except single storey ones are “tall”

Chapter 3: London's attractiveness as a location for business and people

This section seems to miss the opportunity to highlight London's diversity (economic, cultural, population) as one of the capital's key attractions. Again, the chapter talks more about London's sectoral specialisation as important for attracting inward investment and talent, but it does not acknowledge that London is also attractive because of the diversity and range of jobs available. For example there has been research on the attractiveness of London (and other

large cities) for dual earning households where couples are both seeking employment in different sectors. Only large, diverse cities can offer this.

'There are many factors which encourage people to live in the capital such as the economic opportunities available through work, as well as its culture and heritage' (p127).

Needed here is evidence about what culture/heritage industries bring to London's economy and how much of this is internal or external to London's talent pool. We would also like to see evidence on workforce composition for London's cultural and heritage industries.

*'...directly comparing London across a range of indicators and **city rankings**'* (p128).

This erases the possibility of imagining other economic and urban futures for London and Londoners. Is there any other alternative than global city rankings?

'London has the highest proportions of residents with degree level education' (p142)

There should be a breakdown by country of origin, ethnicity, gender etc.

*'However, it is the variance between London and the rest of the UK which attracts both **highly skilled workers** and **other migrants** to the capital'* (p144).

The wording needs changing to avoid misinterpretation. Are these highly skilled workers also migrants or what proportion of highly skilled workers are migrants? Does 'other migrants' refer to unskilled workers? Existing data on migrant workers (i.e. international migration) in the capital suggests that they are highly skilled but employed in unskilled jobs due to a diversity of factors, amongst those most mentioned is language competence.

Minor corrections:

- Page 132 "Net startup rate" =? Startups-closures of firms
- Table 3.11 caption wrong: inbound should be outbound
- Fig 3.9 caption wrong. Should be Industrial breakdown
- Page 143 captions wrong: hourly wages

Chapter 4: The outlook for London's economy and risks

This section is welcomed in that it starts to explore the costs or diseconomies of agglomeration.

Regarding the cost of living, there should be a cross-reference here (at least) to

the final chapter, or more of the final chapter analysis should be included here.

Long run projections of employment in London to 2036 – there is no analysis of the disruptive effects of technological advances on employment projections. A report from Deloitte (2014) commissioned by the UK government indicates that 30% of jobs in London are at high risk from automation in the next two decades. It should be clarified whether the projections on page 158 take this risk into account.

The cost of business accommodation - it is not only the 'cost' of business accommodation that is a problem, but also the availability of suitable accommodation in the right place. Most of the research/surveys on SMEs highlights this as a more important concern to businesses than cost per se. In this context, the loss of commercial space to residential might be seen as an additional endogenous threat/risk. Although later discussion on p.168 does analyse the supply and affordability of workspace, and refers to office as well as industrial accommodation, the key findings and executive summary refer only to cost, and to office accommodation (mostly focusing on 'prime' office space). It needs to be acknowledged that it is not only office occupancy costs in prime central markets that are the problem (as suggested in the executive summary) , but also businesses outside the prime office market that support activity in the CAZ. There is also no acknowledgement of the impact of displacing businesses – for example on supply chains, local employment, the interdependencies between businesses are not acknowledged.

There is no consideration of 'well-being' as a cost of agglomeration. Worth investigating – see work NEF have been doing on this.

Office supply– the statement *“inevitably some businesses will be priced out of prime central London markets and this is likely to increase demand in fringe locations”* seems rather out of date. Rents in Tech City have already reached those in the West End, for example. The discussion on Permitted Development Rights focuses only on those areas that have had exemption to date. What about areas of London that have not been exempt but have suffered substantial losses under PDR e.g. Croydon, Richmond, Islington? Again, the EEB seems focused on central London and is not painting an adequate picture of the economy and pressures outside the centre.

Industrial land supply – does not reference the GLA's most recent study on the supply picture (just published) and does not emphasise that the loss of industrial land has been approx. 3 times the London Plan's target for managed release between 2011-15 and nearly 8 times the target for central London.

“The alternative perspective is that the market should determine the optimal use of

industrial land through price signals and these industrial premises may be better located elsewhere in terms of economic efficiency.'

This is open to challenge since it implies that somehow perfect markets are at work. But we know they are not. The market in land for housing is affected by long-standing subsidy and favourable tax treatment of housing, massive credit injection into housing consumption and land supply heavily constrained by planning. It is thus irrational to imagine that 'optimal' land use mix could result from 'the market' mediating between the uses. In the second paragraph, the reference to 'some commentators' is not only Just Space. See Barton Wilmore, 2015; British Property Federation, 2015, 2014. (This is a repetition of a criticism made briefly on page 5 above, but this is justified by the importance of the issue.)

Affordable workspace for start-ups and SMEs - This section mostly summarises the recent study on incubator, accelerator and co-working spaces in London, which is largely a mapping exercise. It doesn't discuss why we have a problem of the affordability of workspace more generally, i.e. the discussion should be much broader than the provision of these types of spaces. The Open Workspace Providers group convened by the GLA (Levent Kerimol's team) has commissioned some research on the value of open workspaces which is underway and initial findings should be available.

The list of risks plays down London pricing itself out of business and the list makes no reference to air quality or to the high cost on the exchequer (i.e. on the rest of UK) of infrastructure needed or of housing and other benefits needed to bridge the gulf between low pay and high rents.

Minor corrections:

"...the scale of growth expected in London will mean an estimated 20 per cent increase in overall energy demand by 2050. Moreover, without intervention it is predicted that London will have a deficit in water supply of half a billion litres over this period."

This needs a more adequate unit of measurement e.g. litres per day /per year

References:

Deloitte, 2014, 'Agiletown: the relentless march of technology and London's response', <http://www2.deloitte.com/uk/en/pages/growth/articles/agiletown-the-relentless-march-of-technology-and-londons-response.html>

New Economics Foundation, 2016, Looking Through the wellbeing kaleidoscope, <http://www.neweconomics.org/publications/entry/looking-through-the-wellbeing-kaleidoscope>

Chapter 5: London's environment

This chapter is very limited in scope and strikes us as defensive and unambitious in many instances, particularly in terms of selecting a range of topics which might inform policies for a genuinely green economy. Similarly to the chapters on socio-economic issues, it should play a more prominent part in the EEB and it should be much better linked and cross-referenced with the other chapters. The analysis of evidence understates the high environmental risks and inequalities facing London, particularly in terms of air pollution and climate change. At the same time it downplays the opportunities London has in developing a sustainable economy which seeks to address social and environmental inequalities.

In terms of climate change, the analysis of potential impacts presented on pages 204-5 is superficial. There should be references to existing studies on the risks of climate change for London in terms of health and well-being, inequalities and environmental impacts (see for instance London Climate Change Partnership, 2012). The London Assembly Economy Committee report on the impact of climate change on London's economy together with the evidence submitted to this investigation provide a detailed analysis on the risks to businesses, highlighting vulnerabilities in global and local supply chains, investment risks and skill gaps in climate change adaptation.

Air quality – The main thrust of this section seems to be to demonstrate that air pollution in London is acceptable compared to other cities in the world. There is no mention of the fact that parts of London frequently breach hourly air pollution limits set by the EU despite the very high profile this issue has among London's communities and despite existing evidence. A more careful and detailed presentation of facts is needed here, as well as an illustration of the spatiality of air pollution and how it links with areas of high deprivation for example.

Green infrastructure – this misses the opportunity to present evidence on existing food growing infrastructure and the potential to increase capacity. The possibilities for the deployment of the capital's extensive green spaces for localised food production – which would have a range of sustainability benefits in social, environmental and economic terms – are considerable. Some examples of existing evidence of this infrastructure are the Community Food Growers' Network map (<http://cfn.org.uk/map.html>) and Capital Growth (<http://www.capitalgrowth.org/spaces/>). There are other implications to consider, for example how this infrastructure can relate to other sectors of the economy such as retail and food production, through local and London wide supply networks.

Energy use – misses the opportunity to present evidence and assess opportunities for growing the existing renewable energy infrastructure,

including decentralised and community-led initiatives. The other obvious omission relates to fuel poverty. Evidence could be included from the Department of Energy & Climate Change, Annual Fuel Poverty Statistics 2015, which also shows the spatial distribution of fuel poverty in London. New Economics Foundation (2015) analyses the impacts of fuel poverty on health and wellbeing, as well as linking this to the pressures facing low-income households in the private rented sector.

Waste and recycling – there is a brief mention of the circular economy and its potential GVA, as well as the likely benefits of repair, re-use, recycle and up-cycle activities. However there is no link between this and the need for accommodation for such activities. Our comments on chapters 2 and 4 stress the importance of protecting and increasing the capacity of diverse workspace suitable for the needs of businesses in these sectors. In terms of recycling there should also be an acknowledgement of the contributions of activities such as scrap metal collection and trading as a source of self-employment.

A number of important considerations are missing from this chapter

- the costs of agglomeration and the benefits of a different spatial distribution of employment which brings jobs closer to homes. Reducing the dependence on cars, particularly in outer London, by reducing the need to travel (through, amongst other things, the re-distribution not only of employment opportunities but also services such as retail, leisure and care/support services) would have both environmental and well-being benefits.
- there may be huge potential for the development of business services geared towards a sustainable economy - environmental law, green advertising, socially responsible marketing, green built environment professions, eco-accounting, sustainability consultancy
- it will become important for „green skills“ to permeate the entire economy, to cope with the utilisation of new green technologies, to implement low-carbon solutions, to adapt to climate change and so forth.
- the socio-economic and environmental impacts of demolition versus retrofitting. A very useful report on this was produced by the UCL Engineering Exchange and UCL Urban Lab in 2014. This links also to the comment on fuel poverty.

References

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UCL Urban Lab and Engineering Exchange, 2014, Demolition or refurbishment of social housing? A review of the evidence,
<http://www.engineering.ucl.ac.uk/engineering-exchange/files/2014/10/Report-Refurbishment-Demolition-Social-Housing.pdf>

Chapter 6: London's people

The chapter is generally very weak on ethnic patterns, locations, trends are referred to but not shown or analysed. The maps on page 251 are not linked to socio-economic indicators for example.

Impact of migration - this sections states the following:

1. Impact for UK workers – falling in earnings coincide with migration increase
2. Migrants likely to displace UK workers
3. Impact of migrant workers on businesses – likely to be a positive influence due to more knowledge and skills amongst migrant employees. Up-skilling of existing employees, but challenges with integration and language.

If taking into account this evidence, it is necessary to provide additional evidence that accounts for start-ups and business ownership by international migrants, to give a balanced view and support migrant economies to London. The top occupations under section 'More characteristics for migrant populations' do not seem to account for this. This is important because it reduces unemployment amongst migrant populations, - e.g. breaks cycles of unemployment and labour exploitation of migrant populations in London. It is also important to know the economic contribution of migrant economies to London (import / export, employment, tax contributions) and to London's diversity and cultural heritage (role in community cohesion). The work of Prof John van Reenen, head of the Centre for Economic Performance at LSE, offers a very careful interpretation of the evidence on this (2016).

Latin Elephant's response to FALP 2014 concentrated on the gap between urban policy and migrant and ethnic economies, this point was noted by the inspectorate and a change we proposed was incorporated to the London Plan 2015 in recognition of the contribution that migrant and ethnic economies make to London's diversity.

The EEB does little to address this gap. The evidence presented below can be added or included in section 'Impact of migration'. A more positive outlook on impact of migration is needed, otherwise it focuses on rather negative impacts of migration.

Literature Review on Migrant and Ethnic Businesses provided by Patria Roman-Velazquez of Latin Elephant in response to FALP 2014:

In London most business start-ups are from ethnic minorities. Ethnic minority businesses (EMBs) represent 'between 6.7% and 9.3% of the total number of SMEs in the UK' the greater proportion of which are in London (Regeneris 2010, 3). Whilst the government's department for Business, Innovation and Skills Survey of Small Business estimated that 6.2% of SMEs were from ethnic minority group - that is 295,000 shops out of an estimated total of 4,788,000 (BIS 2012). The survey by Centre for Entrepreneurship (2103) reported that migrant entrepreneur-founded companies employ 1.16 million people in the UK.

Over the last 10 years the number of EMBs in Britain has grown steadily. By 2004 the UK 'had created a quarter of a million firms contributing at least £15 billion (£19 billion) to the UK economy and accounting for 11 percent of new businesses start-ups, a growth rate double that for total business start-ups' (Ram and Jones 2008, 63). By 2010 a report commissioned by Ethnic Minority Business Advocacy Network (EMBAN) concluded that ethnic minority businesses contributed to an estimated £25 - £32 billion to the UK economy annually (Regeneris 2010). Despite this economic contribution, a study commissioned by Department for Communities and Local Government (2013) found out that a high proportion of Black-African and Black-Caribbean people in the UK still remained underrepresented in these figures. By implication service provision and access to government advice for EMBs is not reaching all and the UK government has acknowledged that more needs to be done to make sure people from all backgrounds can achieve their aspirations of starting up a business. Driving this government agenda is the conviction that failure to encourage business start-ups by ethnic minorities in the UK is costing the UK economy approximately £8 billion annually. This is particularly relevant if considering

that migration to the UK is on the increase, and that London accounts for a high proportion of this migratory flow and settlement.

References

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- Regeneris Consulting Ltd. 2010. EMBAN Legacy Report. Nottingham and Cheshire: Ethnic minority business advocacy network (EMBAN).
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Chapter 7: Socio-economic issues

The main criticisms on this chapter are that:

- it is generally disconnected from the other, more detailed analyses of London's economy in the opening chapters;
- it does not seek to investigate the relationship between London's poor performance on socio-economic indicators and its success in the global economy;
- it provides a limited range of meaningful breakdowns of statistics on ethnicity, gender, age, disability etc;
- it treats poverty, inequality and fairness in a fairly superficial way.

The issues raised here (housing costs, poverty and inequality) seem to be very important to the discussion of the costs of agglomeration and would help to paint a more complex nuanced picture of agglomeration and globalisation if included as part of the earlier discussion rather than an 'add on' at the end.

The affordability of London

- affordability and housing costs – only looks at average house prices to median earnings ratio, nothing on who can access homeownership, required savings, implications of debt for employment etc; no detail on

private rented sector other than *'it's costly compared to other world cities'*. This would definitely need some evidence to link up with local wages, security of tenure, frequency of moving (due to evictions or being priced out), other costs (deposits, fees)

- affordability and cost of living – the evidence on fuel poverty should be cross-referenced in the section on energy in the Environment chapter. There should be some information about food poverty and relying on food banks.

Living standards, poverty and inequality; diversity and inclusion; deprivation

The evidence and analysis in this section are generally superficial. More detail can be found in reports such as the London Poverty Profile (2015) and Ethnic Inequalities in London (Runnymede Trust 2015) for a wider range of poverty and inequality indicators across different equality groups. It is necessary to include evidence of in-work poverty in London, as well as unpaid work such as domestic and care provision. There is a brief mention of minimum wage and London Living Wage, but not a breakdown of population and businesses.

The Index of Multiple Deprivation maps are the only spatial dimension added to this section, but no analysis beyond mentioning which boroughs have the highest deprivation. The chapter thus misses one of the main trends in social geography this century: the movement of less-qualified and poorer people to outer London and of highly-qualified people to inner London.

References

London Poverty Profile 2015

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Runnymede Trust, 2015, Ethnic Inequalities in London

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Sustain London Food Link, 2015, Beyond the food bank: London food poverty profile

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