

# EC1 NDC

# Local Economic Analysis



March 2009

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## **Objective**

This report was commissioned to improve EC1 New Deal for Communities (NDC), understanding of the local economy and to feed into both spatial planning for the South Islington Area Action Plan and succession planning for the NDC itself. In order to facilitate this analysis and planning EC1 purchased detailed business data on the area; the Beta Model.

Links and divisions between local residents and the local economy are also important to this report and recommendations relating to worklessness were sought in relation to the spatial and succession planning outlined above. Finally an analysis of planning and development opportunities to promote and protect relevant industries within the area was required.

The recommendations and conclusions for planning and the NDC are intended to promote discussion that would complement a workshop with relevant officials at the end of the research rather than take the form of a detailed plan.

## **Context**

The EC1 NDC in the south of the borough of Islington, is one of thirty nine partnerships across England that received government funding over ten years to turn around deprived neighbourhoods.

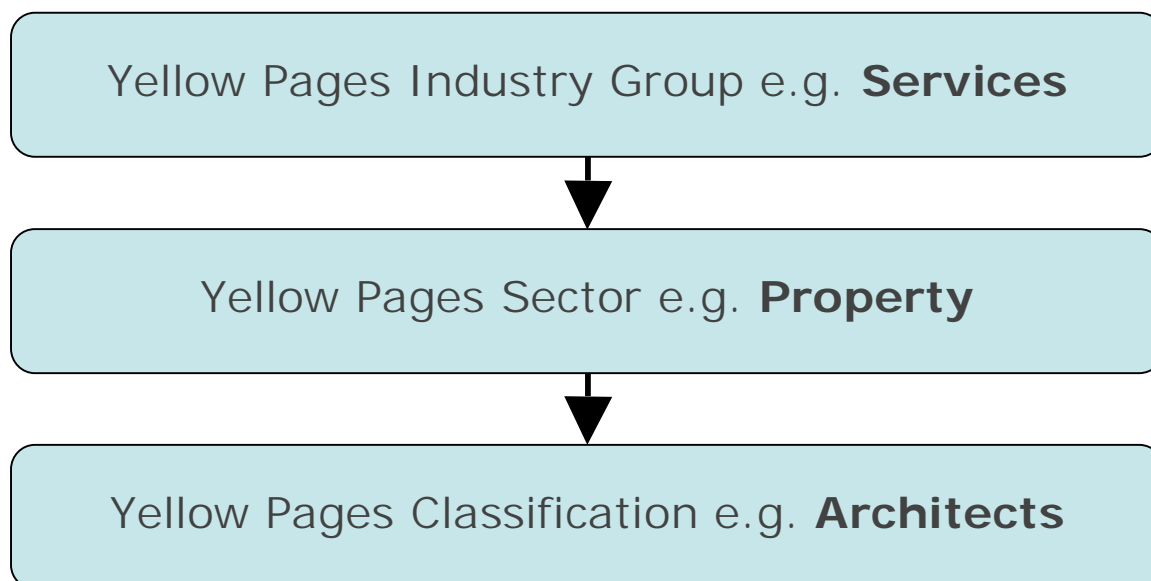
EC1 NDC sits within the City Fringe economic area, previously a strong manufacturing district that is experiencing a renaissance driven by growth in various service industries, significant residential development and investment from government. The City Fringe, like the NDC, has concentrations of deprivation and linking this growth and investment to these deprived communities is a key priority for the public sector.

In addition to this national government has recently encouraged greater economic management at the local scale, although the exact powers and responsibilities of this devolution are not yet clear.

The EC1 NDC is currently part funding the development of the South Islington Area Action Plan that will set many of the urban planning regulations for the area. This plan will influence the local economy through determining commercial land use in the area and development control.

## **Evidence**

The BETA model was the core dataset used to analyse the local economy. It provides information on the number of enterprises (and estimates of their employees) in the area and the sectors within which those businesses work, going back 10 years. For this study, the industry classification used was the Yellow Pages classification. It proved a clearer classification system than the other options, given that it is designed for a telephone directory user rather than an economist. The structure of the classification is given below.



*Figure 1 - Yellow Pages Industry Classification*

In the classification, businesses are divided into 5 major *'industry groups'*; Manufacturing, Services, Retail & Consumer, Agricultural & Material and Transport and Construction.

Data on employment for EC1 residents was largely gathered from the Islington NDC Household Survey 2008 and various ONS data. However, there was limited data that documented change in employment structure over time

## The EC1 Economy

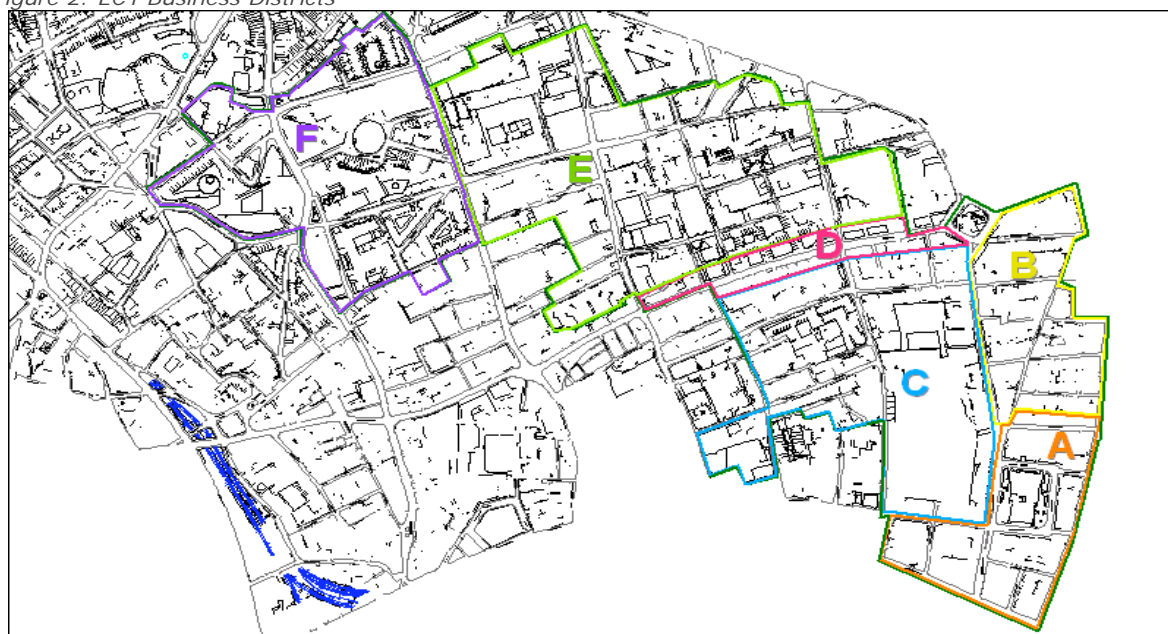
The NDC is marked by its mixed-use character and, particularly by the amount of commercial activity. EC1 NDC has the largest workplace population of any NDC in the country, at least double the residential population by BETA model estimates and triple in others<sup>1</sup>.

EC1 NDC commissioned a business survey in 2006 to create a business profile of the area and gauge views of local businesses. The survey rated the reasons for locating in the area in order of importance as; its proximity to the City, good transport links, cheaper rents, and the fact that it is seen as an area with likeminded businesses.

The Services industry group dominates the economy in the area, even more so than in the City Fringe and the wider UK. Manufacturing is also a larger proportion of total enterprise; 16% compared to 9% nationally. However Retail and Consumer firms total a smaller proportion overall and there are very few Agricultural & Material companies. Figure 3 shows a detailed breakdown of economic structure, employment size and trends.

The distribution of these businesses is looked at in specific detail in the appendix but for the purposes of introduction the business districts defined in the EC1 Business Survey in 2006 serve the purpose. It should be noted that all these sectors are in reality distributed beyond these districts and District D shows more diversity than is acknowledged in this summary.

Figure 2: EC1 Business Districts



- A. **Finance and Insurance District** – Finsbury Square
- B. **Creative District** – Tabernacle Street
- C. **IT and Third Sector District** – Whitecross Street/Bunhill Row
- D. **Retail and Catering District** – Old Street West
- E. **General Service District** – Finsbury Leisure Centre
- F. **Education District** – Goswell Road

<sup>1</sup> NDC National Evaluation, Sustainable Development Research Council 2008

## Population and Labour Market

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The ways in which local residents fit into this picture are many and complex. The population and labour market in EC1 is polarised. As is common with many post-industrial inner cities, high levels of overall deprivation, often among socially renting residents, sit alongside wealthy and highly skilled private renters and owner occupiers.

While there are large numbers of EC1 residents in highly skilled occupations, the area as a whole has relatively low rates of employment and self-employment, and high rates of long term illness, workless households<sup>2</sup> and households with an income below £100 per week.

The high levels (8%) of unemployed people, most of whom have been out of work for more than 6 months, suggest that residents perform badly in the labour market. Of those who are actively seeking employment the barriers that they believe they face are a lack of skills and a lack of suitable jobs, rather than a lack of actual vacancies<sup>3</sup>. This appears to describe a skills mismatch between the jobs available and the resident's skills. Mobility is not cited as a major barrier by this group<sup>4</sup>.

Perhaps more worrying are the 43% of residents who aren't even in the labour market. For example *'Those not seeking work'* is almost double the number of unemployed residents in the area<sup>5</sup>. Clearly there is much work to be done beyond simply matching residents with vacancies to link them to the local economy.

### **Worklessness Schemes**

Two of the main employment sectors in the City for City Fringe residents are security and industrial cleaning, whilst the majority of new vacancies sourced through the local Jobcentre Plus include basic clerical and administrative, sales, security, semi-skilled trades, plant operators and other elementary occupations<sup>6</sup>.

According to the City Fringe Partnership tackling worklessness programmes should be concentrated on getting local unemployed people into existing vacancies in the wider London job market, not just the immediate area<sup>7</sup>. The development of a high quality and specialist job brokerage (e.g. the 'Wildcat Model', New York City) for entry into City and other high value / growth sectors is also advised.

Ensuring services are open and easily accessible to all workless people and families (i.e. not just JCP customers) and delivering services that are flexible and tailored to the needs of individuals and employers are key to successful interventions<sup>8</sup>.

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<sup>2</sup> *Islington NDC Household Survey*, IPSOS MORI, 2008

<sup>3</sup> *Ibid*

<sup>4</sup> *Ibid*

<sup>5</sup> *Ibid*

<sup>6</sup> *Unemployment in the City Fringe Area of London*, City Fringe Partnership, Jun 2003

<sup>7</sup> *Ibid*

<sup>8</sup> *East and South East London City Strategy Pathfinder (CSP) - Business Plan*, London Development Agency, Mar 2007

## Economic Trends

In the last 10 years EC1's economy has grown by 16% in terms of enterprises compared to growth in the City Fringe's sub-regional economy of 23%, according to Beta Model statistics.

Almost all growth in enterprises has been in the services industry group, which has grown by 27% since 1999. Transport and Construction has performed poorly in EC1 declining from a small base by 22%, while in the wider UK economy it doubled. Manufacturing in EC1 remained relatively stable over this time period despite a continuing decline of 15% throughout the wider City Fringe. The Retail and Consumer industry group has grown from a small base by 25% faster than London and the UK. The Agriculture and Material industry group accounts for a negligible portion of the economy.

Top 5 Sectors	Enterprises since 1999	Bottom 5 Sectors	Enterprises since 1999
<b>Financial</b>	+25	<b>Transport &amp; Travel</b>	-20
<b>Leisure and Entertainment Services</b>	+17	<b>Printing</b>	-17
<b>Property</b>	+17	<b>Film and Photographic</b>	-15
<b>Office and General Services</b>	+15	<b>Shipping and Marine</b>	-11
<b>Education</b>	+13	<b>Legal</b>	-8

Figure 4 - Top and Bottom performing sectors according to BETA model data since 1999 – See Appendix for more detailed discussion

### Manufacturing

The manufacturing sector in EC1 is mostly made up by Office and Computer Equipment, Publishing, Printing & Communications and Equipment sectors. Although overall total Manufacturing employment remained relatively stable sectors have both risen and fallen.

The printing sector is in freefall in the area having shrunk by 50% and shed almost 200 jobs since 1999, with the number of enterprises falling from 34 to just 14. Conversely, Computer Software Development has grown by 26 firms, from none, in the same period.

Growth in the IT sector has been pronounced enough that the area has been referred to as Silicon Roundabout, a play on the Silicon Valley in California, in the local press. The growth of Computer Software Development is an example of high value manufacturing in the area which is currently being championed by government nationwide as it fits with the UK's comparative advantages in the global economy of a highly skilled, technology savvy workforce. However, little of this new manufacturing is likely to be employing old manufacturing workers or use similar industrial premises.

## ***Services***

Many sectors in the service industry group based in EC1 have shown steady growth over the last 10 years. The main drivers of growth in this sector were the buoyant property market and growth in financial services in the City.

One in five people employed in the EC1 area work in financial services. This employment reflects the fact that the EC1 NDC boundary crosses over into the city in the Finsbury Square area.

The main employers in the Financial sector are Banks and Financial Institutions, Stockbrokers and Investment & Trust Companies. The remainder of employment is made up by Financial Advisors, Mortgage Providers and Accountants. The number of firms has grown in actual terms by just 20 banks, and financial institutions have shed almost 1000 jobs despite the number of firms remaining almost the same. Investment and Trust companies have added roughly 250 jobs while Stockbrokers have added 500 jobs despite a reduction in the number of firms from 18 to 13.

This growth in financial services in the NDC and beyond has benefited various other service industries from market research to cleaning services. The growth in Office and General Services is a good example of this, comprising of Telecommunications Equipment, Office Fitters, Computer Services and Security Services and Equipment, there are now over 50 enterprises that employ around 1600 people in EC1 NDC where as in 1999 there were just 35 employing 596 people.

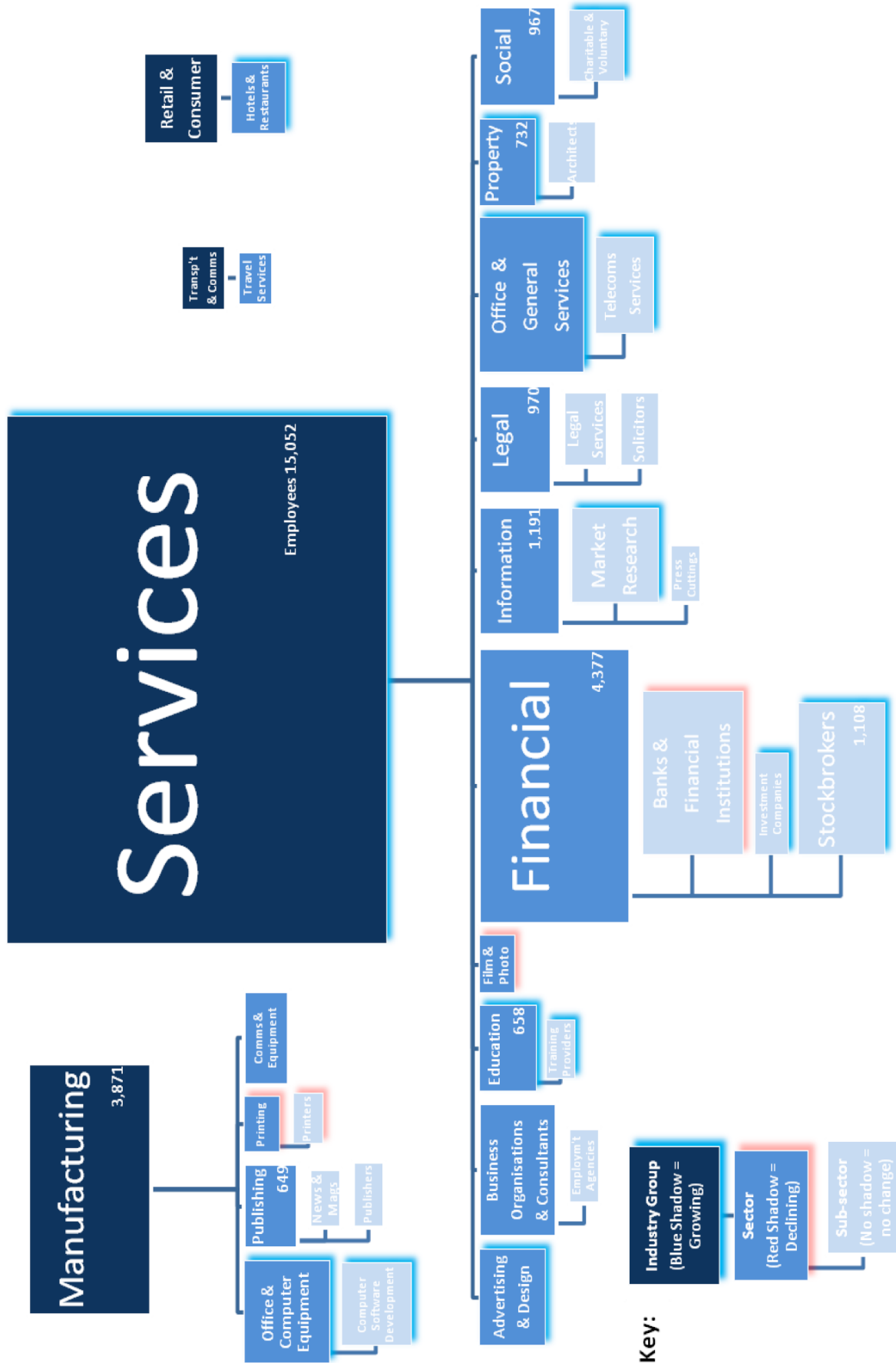
The growth in the Property sector is clearly closely related to the property boom in the South East of England. The pace of development has been swift up until recently and the number of firms in the area has nearly doubled while employment is estimated to have trebled. There has been growth in Architectural Services and Property Management while slight growth has also been seen in related industries of Estate Agents and Surveyors and Valuers. The number of architecture firms can certainly be considered a cluster in the area.

An increase in the privately renting residential population in EC1 over the last 10 years has benefited the Leisure and Entertainment Services sector. Catering for a larger and more affluent residential population the sector, which includes Hairdressers, Beauty Salons and Domestic Cleaning Services, has gone from just 5 firms to 22. It is likely that this growth will continue given the number of private residential schemes currently under construction that will bring more affluent residents to the area.

Education has shown considerable growth particularly in Training and Computer Services which together make up almost half of all employment in the sector. These high levels of private training companies are most likely the result of the City Fringe location and the demand from the City for training provision. The City Fringe itself has also seen strong growth across almost all areas of education including Careers Advice, Computer Training, Driving Schools, Educational Services, Further Education, Language Courses and Schools, Playgroups & Pre-School, Schools and Colleges, Independent Schools and Colleges, Training Services and Tutoring. Overall these account for an extra 265 firms and shows that the City Fringe is a very popular location for education providers, possibly because of relatively cheap rents, close proximity to firms who require training provision and opportunities to build personalised space or take on mixed use space from developers.



Not all Services have grown in terms of total enterprises in this time; Film and Photography have reduced in number by 33%. Roughly half of the sector is made up of Commercial Photographers while the majority of the remainder are employed within TV and Film Production. Over the last 10 years the sector has shrunk in terms of both the number of enterprises and employment, the former by approximately 25% and the later by over 50%. This decline is also repeated in the City Fringe but not in London as a whole where sub sectors such as Commercial Photography have remained stable while General Photographers and TV and Video Producers have grown considerably. This suggests a movement away from the City Fringe but retention within London. One explanation could be increasing rents pushing out price sensitive photographers but this would need to be verified by further research.



**Key:**

- Industry Group** (Blue Shadow = Growing)
- Sector** (Red Shadow = Declining)
- Sub-sector** (No shadow = no change)

Figure 3 – EC1 NDC economic structure, employment size & trends – Box area approx. to number of employees, where possible this number has been listed

## ***Retail and Consumer***

The Retail and Consumer industry group has shown small growth but some sectors have performed well. Food and Drink operators (in particular supermarkets, grocers & convenience stores, Tea and Coffee Specialist Stores and Sandwich Shops) have almost doubled in number since 1999 and this is likely down to growth in affluence and absolute population in residence.

Hotels and Restaurants employ over 700 people across 70 enterprises in the EC1 area. 140 of these are split across just two hotels (The main one being the Thistle Hotel Barbican) while around 400 people work in restaurants and bars. Micro and Small businesses in this sector have grown in number but the loss of a large hotel (464 employees) has stifled the sector's growth overall.

It should be noted that the Retail and Consumer sector is considered by some to offer good entry level opportunities for the unemployed, with a low skills requirement and often flexible working hours.

## ***Transport and Construction***

There has been some growth in the construction industry most likely related to the property boom. Builders and Building Contractors have grown from 3 to 9 firms in the area as have Builders Cleaning and Repair (most likely cleaning and maintaining new residential blocks), Interior Building Services have also grown from 12 to 18.

The Transport and Travel sector, the main employer in this group, has shrunk by two thirds in the last ten years. The courier services and mini cab firms within this sector have moved out of the area or gone bust. Travel Agents and Operators also in the group have almost completely disappeared from over 10 firms 10 years ago, and finally the number of car parks has fallen from 5 to 2, most likely due to development pressure on land.

## **Conclusion**

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The EC1 economy has grown over the last 10 years broadly in line with wider economic growth. This growth is concentrated in services, most of which have a relationship to the financial services and housing growth seen throughout London and the UK. These drivers have undoubtedly supported the growth in Market Research Firms, Advertisers, Designers, Training Providers, Office Equipment Suppliers, Software Developers etc. that has been evident from our research. The local economy is strongly influenced, and will continue to be influenced, by wider economic forces. In a relatively popular business destination like South Islington, sector performance appears to be more greatly influenced by global economic forces than local ones.

The area's unique selling points include its proximity to the City, good transport links, cheaper rents and existing business population. Investment in public and private infrastructure throughout East London has also contributed to making EC1 NDC a more popular destination for businesses over the last 10 years. However, there are still many different sectors within the economy that do not consider it suitable. Further research into what keeps businesses away would help our understanding of the area's weaknesses.

Some questions remain unanswered, for example, the reason for such sharp growth in Computer Software Development is not entirely clear, nor is the reason for the fall in Transport and Construction, a sector which has doubled in the wider economy. Following up these findings with primary research such as telephone interviews with representative businesses could add significant value to this report.

Furthermore, the gap between jobs within the local economy and those of local residents still seems as wide as ever. While greater numbers of privately renting residents work and live in the area, large numbers of socially renting residents are still detached from the labour market. Although there has been overall growth in the economy and jobs in the area, this has not directly impacted upon the existing local population, most probably due to the persistent skills gap.

## Recommendations and Discussion

The BETA model provides a clear and very detailed picture of the structure of local economies. The table below illustrates a number of potential practical uses for the data, as requested in the commission.

Beta Model Application	Justification
<b>Informing planning decisions on employment land</b>	The BETA model data, updated quarterly, shows growth and size of businesses in an area. This helps to understand demand for employment land in an area and the appropriate size for commercial units.
<b>Informing Worklessness Job Search and Training Activities</b>	Worklessness schemes can use the data to identify and target sectors with appropriate skills for their clients. Training providers can also identify growth trends within their labour market to ensure their clients have the right skills for the future.
<b>Identify Market Failure</b>	By keeping a close eye on the BETA model data the relevant authority (possibly EC1) can identify potential areas of market failure. If a sharp decline in a particular sector is spotted, early public sector intervention may be able to prevent further decline.
<b>Inform Development of Inward Investment and Business Support</b>	The data can inform inward investment activities such as place promotion, business support (e.g. start up support), formation of Business Improvement Districts etc.

Figure 5 – Beta Model Uses

Beyond the uses of the BETA Model, a key challenge of the report is to identify how the planning system (particularly the South Islington Area Action Plan) and NDC could be used to meet economic objectives of encouraging growth and tackling worklessness in light of the new data.

The recommendations are intended to be aspirational, to promote discussion and thought about key economic issues and the role of the public sector, rather than a definitive action plan. Some of these interventions may already exist in some form as a full audit of the public sector provision in the local economy was beyond the scope of this report.

### Encouraging Growth

There is a significant amount of guidance from the Department for Communities and Local Government on the way in which local planning departments should go about encouraging economic growth. In summary, recommendations have been included on how to provide the right type of commercial land for businesses and how to improve infrastructure provision (transport, parking etc) to increase productivity.

## ***Commercial Property Market***

**Discussion Point 1:** The Planning department should protect commercial land wherever possible.

- Pressure from Residential land values results in the loss of employment land in South Islington year upon year.
- There are many examples of where protecting commercial land in mixed use developments has resulted in poorly designed and unsuitable commercial space.
- Advice recommends conducting an employment land review to identify levels of supply and demand both now and in the future. The size and quality of commercial space should be considered as well as the total quantum.

**Discussion Point 2:** Certain Commercial Land designations should be protected to assist relevant sectors in the area.

- 85% of EC1's commercial property is B1 office.
- Providing light industrial space in the area may help some existing manufacturers to survive and stop them moving out as commercial property prices rise.
- Planning advice recommends that to ensure a good supply of land the designation of sites for single or restricted use should be avoided as this frees up the commercial property market<sup>9</sup>.
- Designating single uses places a burden on the planning department to predict economic trends in order to ensure the right amounts of each designation are available.
- Protecting industries in South Islington may cause other areas to protect their own industries at great cost to the public purse with little efficiency gains in the businesses themselves.

## ***Infrastructure Provision***

**Discussion Point 3:** Infrastructure for businesses in EC1 could be improved to give it a comparative advantage as an area and help growth in certain sectors.

- Various sectors can benefit from improved provision of infrastructure through the planning system. Improved transport, parking policies, public realm and reduction of crime rates against businesses.
- Some infrastructure improvements could be sector specific. EC1 has a fast growing IT, Internet and telecoms sector. 'superfast broadband' / telecommunications infrastructure to support the large IT and Telecoms sectors. This would be appropriate where the private sector broadband providers are unlikely to deliver it in the near future and significant comparative advantage is gained from providing it before other areas of London. Decisions of this nature need to be reached in consultation with the industries identified in this report.

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<sup>9</sup> *Planning Policy Statement 4*, Department for Communities and Local Government, 2007

## Tackling Worklessness

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**Discussion Point 4:** Involving developers (through section 106 agreements), regeneration projects and new businesses in workless schemes for local people will help to reduce unemployment

- National planning guidance recommends using section 106 planning agreements to secure commitment to local employment objectives and a new kite mark scheme to recognise developers, construction companies, property owners and occupiers that demonstrate a track record of local hiring.
- The discrimination in targeting local residents may be unpopular and risks putting off developments and businesses and creating inefficiencies through an inappropriate workforce.
- Doesn't work for everyone e.g. benefit trap or multiple barriers
- May be more suitable to simply ensure that there is good coordination between planners who know about all the developments and the worklessness schemes so that they can persuade through the KITE scheme and other benefits rather than force it upon developers.

**Discussion Point 5:** In areas of high residential land values where commercial land is under pressure Section 106 schemes have been developed whereby a developer may make a financial contribution if their development results in a loss of employment land in an area where there is limited commercial demand. This money is then spent on supporting other employment projects in the borough.

- Eases property development in these areas
- Hard to quantify impact and monetary contribution
- What should these funds be spent on?

**Discussion Point 6:** Worklessness schemes should be given further funding and prioritised as the most feasible way of linking local people to the local economy. In particular, emphasis should be placed on ways in which the large number of economically inactive residents can be innovatively encouraged into work.

- EC1's Workless residents, both the unemployed and economically inactive, face many varied barriers to work and require a variety of interventions. Linking these people to the economy, which commonly means employment, is most successful when it is highly personalised.<sup>10</sup>
- These interventions often have a high unit cost.
- A number of these activities are being funded at a regional level through the LDA. How could local intervention assist this?

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<sup>10</sup> *What Works Tackling Worklessness*, GLA Economics, 2006

# APPENDIX

## ***Methodology***

The BETA model data was analysed through the online interface <http://www.betamodel.com/>

Each Sector and sub-sector within the Yellow Pages Classification was analysed in terms of total employment, enterprise and change over time.

### ***Overview***

Due to the sheer number of different sectors they were whittled down by looking at the top 10 sectors in terms of enterprise and employment. Some sectors such as Printing were included if they were considered particularly relevant for another reason, in this case because of the prominence the sector used to hold and its sharp decline.

### ***Trend analysis***

Total number of employees was the indicator that was most commonly used to estimate size as it gives a greater indication of the overall size of the sector or sub-sector than simply looking at enterprise numbers. However, given the number of unknown employment sizes in 1999 these figures are less reliable for trend analysis and where relevant this was complemented by looking at the changes in enterprise.

### ***Population and Labour Market***

Secondary Data was largely gathered from the Islington NDC household survey although this was supplemented from various different sources to form a picture of employment and skills.

Finally research documents summarised in the appendix informed this report even if they were not directly referenced in the text and provide useful further reading.



## **Literature Review**

### ***The City of London Supply Chain and its relationship with the City Fringe, Centre for Economics and Business Research, September 2008***

This report was commissioned to respond to the following key questions;

1. What is the size and nature of potential markets for suppliers based in the City Fringes, resulting from their close proximity to the business cluster in the City, with particular regard to SME's in the City Fringes?
2. Which industries are currently trading extensively with firms in the city and which are not?
3. According to firms in the City and the City Fringes, what barriers exist to trade between them and what market failures need to be addressed?

It was identified that City of London firms procure around £13.3 billion of goods and services from suppliers per annum. These range from computer services, telecommunications, postal and courier services, property services and consultancy as well as recruitment, security, cleaning and entertainment.

At present only 4-5% of City procurement needs are met by City Fringe businesses. The report calculates that, based on the industrial structure of the City Fringe combined with typical distances from which supplies are sourced, this has the potential to rise to 13% with the right interventions.

Markets where proximity matters and where supply by SME's is commonplace offer the best opportunities for Fringe businesses and the report identified 6 key sectors where this is the case;

- Property services
- Legal services
- Print and publishing
- Entertainment
- Office supplies
- Events and Seminars

Similarly, the report identifies 3 additional sectors where proximity offers clear advantages; office cleaning, catering and facilities management/repair.

### ***Understanding the Hospitality and Catering Sector in the City Fringe, City Fringe Partnership, Jul 2007***

The report summarises the hospitality and catering sectors, particularly in relation to employment opportunities for local people, and makes recommendations in areas that may benefit from interventions and improvement.

The study identifies that nearly 12,000 jobs are available in the sector in the City Fringe but, despite the high unemployment in the area, businesses still report problems recruiting customer service based roles. Furthermore the industry nationally suffers from poor retention. Employment in the industry is dominated by women, the young and part time workers. This is magnified in the City Fringe area due to a more transient work force characterized by immigrants and students. Coupled with this is a high number of SMEs that are not as well equipped to provide opportunities in career development and income. There is a resulting lack of investment in skill development which may further exacerbate the high turn-over of staff.

There is a significant lack of generic/soft skills in the potential labour market that is precluding access to employment in this sector. The main skills gaps within the industry are communication, job specific skills, customer service, ICT skills, team working, being flexible, willingness to learn, ability to follow instructions, basic skills and management skills.

The market now incorporates a few 'big players' and lots of small independent owner managed businesses. The big players may offer better training and pay but they are less likely to divert economic benefit back in to the local area. Small businesses may employ local people and contribute to the local economy but they are less likely to expand.

The report identified the priorities for the sector as improving the perception of the industry and, in particular, its contribution to the local economy with local councils and local residents, encouraging environmental improvements and a more favourable local regulatory framework, marketing the City Fringe area as a vibrant location and promoting the industry as an attractive employment option for local people and developing training provision that responds to both employer and employee needs.

Recommended interventions include increasing the supply of labour and upskilling through filling gaps in existing training provision. In particular a hospitality CoVE at Hackney Community College. Also recommended is an area guide for independent bars and restaurants to move into the City Fringe.

### **Regional Economic Literature**

#### ***Buying a better London, London Centre of Excellence, 2006***

This report focused on how corporate procurement could aid the regeneration of deprived areas in London. The most relevant aspects of this work to our current research are Workstream two and Workstream four.

Workstream two was a detailed survey of City businesses focused on their qualitative procurement decision process. The research highlighted the key factors which influence procurement decisions to be price and quality. Despite the interest in trading with SMEs as part of their corporate and social responsibility (CSR) agendas, firms cited the problem of lack of information on available SME suppliers and stated that CSR tended to be viewed on an environmental basis rather than in an effort to assist local SMEs. The conclusion of the research is that although awareness of CSR is rising, it still only has a limited influence on procurement decisions. Workstream four investigated one of these barriers to procurement from SMEs, the difficulty in identifying and contacting potential SME suppliers. The report recommended the setting up of SME lists to help the dissemination of information between SMEs and contracting organisations. A number of the existing directories was also included in the report which offer useful lists of SME suppliers by geographical location.

#### ***Distinctiveness and Cities – Beyond find and replace economic development?, The Work Foundation, Oct 2007***

The paper looks at the advantages to the economy of making a place distinctive and how this can be achieved in practice.

It identifies that the current situation of “territorial competition” is a problem as cities focus on attracting territorially mobile investment rather than developing indigenous strengths. They believe that this strategy represents a gamble from which only a few cities can win in the long run. Distinctiveness, it is suggested, should instead be about knowing a city’s place in the spatial economy, building on existing strengths, character and identity.

The study looks at the city of Manchester to show that more than marketing is required to communicate an area’s distinctiveness. It notes how the cities focus on developing an ‘image’ based on events, festivals and other activities, rather than a more transient ‘brand’ based around a single strapline has produced positive results.

#### ***Inward Investment and Business Retention Review, Centre for Strategy and Evaluation Services***

The review examines existing inward investment and business retention activities and proposes a set of improvements and interventions

The review recommends that the London Development Agency (LDA) should develop the overall Inward Investment and Business Retention strategy with partner/service provider alignment and improve pan-London institutional integration between Think London, Sub-Regional Partnerships, the LDA and others.

Inward Investment should proactively target specific sectors and geographic sub-regions for investment to address the needs of London and the Economic Development Strategy. This should be done through engaging in proactive, structured, strategic dialogue with target firms to build relationships allowing understanding of opportunities and challenges faced by the client.

There should also be more scrutiny of performance monitoring to address deadweight and other issues. Finally the review recommends that the sector could benefit from knowledge sharing (e.g. sharing of best practice) and shared service provision (e.g. sharing of recruitment, training, legal, functions etc).

#### ***Retail in London, GLA Economics, October 2006***

This report looks at the importance of retail to the London economy, its geographical distribution across London, trends over time and its future.

The report emphasises retail’s importance to London’s economy stating that almost £4 in every £10 spent by Londoners goes to the retail sector and that retail accounts for around nine per cent of London’s employment, offering a viable route into employment for many residents who might otherwise find it difficult to enter employment.

The retail locations in London are split between the major international centre in the West End, around 200 town centre retailers, several major out of town shopping centres and over 1000 neighbourhood and local centres.

London's retail profile has changed over the last couple of decades seeing an increase in out-of-centre retail during the 1980s and 1990s through the development of retail warehouse parks and a corresponding decline in retail within small town centres. Overall there has been an increased retail consolidation, particularly in the grocery sector, a decline in the number of small retailers, changes in retailers' management of supply chain and logistics issues and a growth in internet retail.

As incomes increase consumers place increasing value on leisure time. As a result, retailers and developers of retail destinations have sought to develop retail as a leisure activity rather than merely a functional process or transaction whose time is to be minimised. This is also considered to be a key strategy in maintaining the attraction of high-street retail in the face of the growth in internet shopping.

A rise in the number of residents and those in employment within London is forecast to have a positive impact on retail in London as are changing in planning policy to encourage retail. The development of large retail destinations in Stratford and White City coupled with the growth in online retail will however have a detrimental effect on a number of London's town centres.

### ***Sustaining Success – Economic Development Strategy, London Development Agency, Jan 2007***

Sustaining Success is the Mayor of London's Economic Development Strategy for the capital. It focuses on four major areas of investment: People, Infrastructure and Places, Enterprise and Marketing and Promotion.

The strategy stresses that economic success and productivity, environmental sustainability, promoting equality for all Londoners and improving health and quality of life must all be looked at together. The strategy describes ways of dealing with areas where the market does not, or cannot itself, delivering our aim of helping London build on its strengths, tackle its weaknesses and the future threats to its success. Each major area of investment identified has key smaller areas of targeted investment to do this:

Investment in Places and Infrastructure is targeted at supporting the delivery of the London Plan (see appendix summary), in doing so delivering an improved and effective infrastructure and sustainable, high quality communities and urban environments.

Investment in People concentrates on tackling barriers to employment, reducing disparities in labour market outcome between groups and addressing the impacts of concentrations of disadvantage.

Investment in Enterprise has a focus on addressing barriers to enterprise start-up and growth, also highlighted are maintaining London's position as a key enterprise and trading location, improving the skills of the workforce and maximising the productivity and innovation potential of London's enterprises.

Finally Marketing and Promotion investment is aimed at ensuring a coherent approach to marketing and promoting London, co-ordinating effective marketing and promotion activities across London and maintaining and develop London as a top international destination.

The strategy then draws out a number of yardsticks within a wider action plan that aims to get the ideas introduced at a grass roots level.

### ***The London Plan – Spatial Development Strategy, London Development Agency, Feb 2004***

The London Plan is the Spatial Development Strategy for London that the Mayor is required to produce by the Greater London Authority Act 1999.

The document first looks at the forces of change affecting London and describes the challenges and objectives that these produce, specifying 6 objectives:

- To accommodate London's growth within its boundaries without encroaching on open spaces
- To make London a better city for people to live in
- To make London a more prosperous city with strong and diverse economic growth
- To promote social inclusion and tackle deprivation and discrimination
- To improve London's accessibility
- To make London a more attractive, well-designed and green city

The strategy outlined to achieve this involves a multi-stranded approach, integrating commercial and residential development, transport and communications infrastructure, and the promotion of local communities. The plan focuses on the development strategies for five broad sub-regions: West London, North London, Central London, South London and East London including the Thames Gateway. Within this overall planning framework, specific areas have been identified as Opportunity Areas, Areas for Intensification and Areas for Regeneration.

Proposals involve an increase in the provision of housing to accommodate London's growing population and improved transport infrastructure and mixed use developments to improve working conditions in the city. Environmental sustainability, protecting important space, emphasising social cohesion and improving London's open water spaces are all also key areas of the strategy.

The document has a specific section dedicated to the East London sub region and identifies East London as the Mayor's priority area for development, regeneration and infrastructure improvement. Within the plan Shoreditch is a designated opportunity area.

### ***Working Paper 22 - London's Creative Sector: 2007 Update, Alan Freeman - GLA Economics, 2007***

This is the second update to GLA Economics' *Creativity: London's Core Business*, a comprehensive survey of employment and wealth creation in London's creative sector.

The report finds that, since peaking in 2001, total creative employment fell for three successive years before turning up in 2005 and then goes on to look at the causes of the decline.

One explanation for the volatility of the creative industries in London is that they are affected by cyclical upturns and downturns because their products are, in economic terms, luxury goods. Demand for them is more income elastic, meaning that when income falls or rises, spending on creative products falls or rises even further. The key factor identified in the report is the impact of the cyclical decline in London's private sector industries, in particular that of Finance and Business Services, which began in 2000. Altogether, 53 per cent of the demand for Britain's creative products comes from business sources.

Creative employment in the capital is higher than elsewhere in the UK but the gap is closing. The report confirms earlier findings that the creative industries in London perform below average in the employment of women and from ethnic minorities. In 2003-04 only four industries employed a higher proportion of women than the London average – 'Arts and Antiques', 'Radio and TV', Publishing, and Fashion. And only Fashion as well as 'Arts and Antiques' employed a higher proportion of Black, Asian and Minority Ethnic staff.

### **Worklessness Literature**

### ***Analysis of Employment Sectors in the City Fringe, City Fringe Partnership (Trends Business Research), 2005***

This document contains the results of a mapping exercise of companies in the City Fringe undertaken by Trends Business Research on behalf of the City Fringe Partnership. It provides analysis of 10 sectors of the industry; Construction, Health, Hospitality, Leisure, Retail, Social Work, Tourism, Financial Services, Professional Services and Travel:

- The largest of these segments is Financial Services with over 2,000 firms and 65,000 employees. As a broad sector, Financial & Professional Services contains 2,810 firms and nearly 92,000 employees and is thereby the largest broad sector. This is 19% of firms in City Fringe, and 24% of employment.
- Most firms are small, with 40% having fewer than 10 employees, though this varies by sector from 35% in construction to 66% in retail.
- There are 443 new firms (start year of 2001 or later) in our data across the 5 broad sectors in City Fringe. The 135 in retail represent 11% of all firms in that sector, higher than the equivalent London figure of 8.5% (i.e. this sector contains more young, and therefore vulnerable firms in City Fringe than in other parts of London).
- Hospitality, Travel, Leisure and Tourism is also characterised by a large proportion of new firms (again, at 9.8%, higher than London, at 8.3%).
- Employment change in firms surviving over the period 2001 to 2004 is 4.2% in City Fringe as a whole. Leisure leads the way at nearly 30% growth. The largest actual change is in Professional Services, which has added nearly 4,000 jobs (11% growth). However, Financial Services and Construction show a slight decline.
- The broad conclusion is that productivity is high in the City Fringe overall. Financial Services has by far the highest figure, at over £100,000 per employee. This is also higher than the equivalent London figure (£94,000). The sector with the lowest average GVA per employee is Social Work at £14,000.

### ***Analysis of the Creative Sector in the City Fringe, City Fringe Partnership (Trends Business Research), 2005***

This document contains the results of the previous mapping exercise (above) of creative companies in the City Fringe undertaken by Trends Business Research on behalf of the City Fringe Partnership. A database of all firms in the area was developed and analysed:

- The creative sector in City Fringe contains over 4,100 firms and nearly 40,000 employees.
- The vast majority of creative sector firms are small – 83% have 9 or less employees.
- The creative industry are it closer to the City than the boundary of the Fringe (i.e. the West and South West), though there are concentrations of certain segments in specific locations throughout the City Fringe area.
- Crafts, Jewellery and Designer Fashion segments are particularly strong.
- New firms (start year of 2001 or later) form a larger proportion of businesses in City Fringe (7.2%) than across London (6.8%), suggesting higher birth-rates in City Fringe (or shorter life-spans of businesses). This is true also of the non-creative sector.
- The Gross Value Added (GVA) measure of productivity suggests that City Fringe creative businesses are more productive (higher GVA per employee) than the average creative business in London (£39,300 and £35,900 respectively). This varies by segment, and Film, Jewellery, Designer Fashion and Furniture & Interiors are all especially productive, in actual figures and compared to the average for London.

The report also contains detailed audits of the business base, with breakdowns by sector and postcode.

### ***Can Retail Development Prime Wider Regeneration? A Case Study of Merry Hill/Brierley Hill, Centre for Urban and Regional Studies – University of Birmingham, Sep 2007***

This paper investigates how retail can affect wider regeneration aims. Retailing is the third largest service sector employer in the UK and is the UK's largest private sector employer at 1/10 of the workforce. Retail is therefore seen as the main contributor to employment creation in areas where manufacturing has declined. A strong retail offer can support regeneration through providing jobs, services, investment and a focal point for community activities.

The literature identified a tension surrounding the issues of skills in retail development. One argument being that skill levels are generally low-level and the employment generation benefits of retail development are overvalued. However, there is research to demonstrate the retail jobs provided important entry routes into the job market and that employees often gain valuable skills and move on to more highly skilled jobs in retail and other sectors.

The literature review confirms that retail development can be seen as a mechanism to spur wider regeneration. A number of authors noted that retail development is a mechanism to revitalize areas, put areas on the map, provide jobs, promote economic growth and provide attractions to draw people in.

### ***East and South East London City Strategy Pathfinder (CSP) - Business Plan, London Development Agency, Mar 2007***

The City Strategy Pathfinder (CSP) is a new, approach to tackling worklessness and child poverty supported by Deprived Area Funds (DAF) via the Department for Work and Pensions (DWP). The East London CSP brings together a consortium of the key partners in the area, including the five Olympic Host boroughs.

The CSP consortium's aim is to increase the employment rate across the 5 Borough area from an aggregated current rate of 60.7% to at least 63% by 2012 along with a CSP pilot figure of just over 3,800 into work by March 2009 (with the possibility of a one-year extension).

It is suggested that something new is needed on the assumption that existing delivery does not appear to be working with a growing economically inactive cohort. In response to this profile, the CSP East London has developed the following strategic objectives that provide a framework for redesigning services and public expenditure to better meet the needs of workless residents by:

- Ensuring services are open and easily accessible to all workless people and families i.e. not just JCP customers;
- Delivering services that are flexible and tailored to the needs of individuals and employers to enable workless people to access sustainable employment;
- Achieving efficient and high quality services through better co-ordination, and strategic planning; funding alignment of CSP to mainstream such activity in the future.

As such this strategy will be supported by the following delivery model and enabling measures:

1. "Single Points of Access" (SPA) – Services available to all workless clients where they are likely more likely to be engaged in the community underpinned by a "no closed door" policy.
2. "New Deal for Families (ND4F):" to support parent(s) where at least one of them is workless and on a low income (including lone parents and couples).
3. Extended Childcare – free childcare for ND4Families for children up to 14 years rather than just up to 5 years.
4. Other enabling measures to ensure pathfinder success are: Joint investment, Employer Engagement, Mapping and Analysis of Provision, ESOL flexibilities, Performance Management and Customer Tracking.

***Employment opportunity for all: tackling worklessness in London, HM Treasury, Mar 2007***

The document was written to inform the government's policy on tackling worklessness and providing employment. The issues identified by this report are that a relatively large share of London's population is disadvantaged in the labour market by their individual circumstances; that there is strong competition for lower-skilled jobs in London's labour market, which reduces employment chances both for low skilled people in general, but also for young people and mothers; and the low parental employment rates, which underpin relatively high rates of child poverty in the capital.

It emphasises the multiple barriers to employment that face Londoners and particularly identifies skill and mobility problems. The high value added economy also causes problems for entry level job provision and London housing and living costs render a lot of schemes that are successful elsewhere redundant. However, it comments that job growth has been strong in London over the last few years and suggests that occupational or geographical mobility constraints could be at the heart of it.

The document makes the future policy recommendations to relieve the congestion in London's low-skilled labour market, a more strategic London-wide approach at appropriate levels and a clearer focus on the employment needs of parents in London.

***Skills in the City: Entry Level Opportunities in the Financial and Business Services Sector, City Fringe Partnership, Jul 2005***

This document analyses the opportunities for low skilled workers in the sizable financial and business services sector in the City Fringe.

It finds that there are roles for non-graduates in the cities but in supporting roles not core earning activities. Most of these require at least some GCSEs or A levels and most firms do not recognise NVQs which are often the qualifications of people who return to education. Employers complain that many applicants lack basic skills.

The research suggests that employers could assist the process in a number of ways:

- working with brokerage services to access able students, particularly from the inner London boroughs
- Helping educators to define the skills and competencies required in the sector
- Working with training providers to develop relevant training
- Support relevant education initiatives such as increasing awareness of the financial sector, or improving practical literacy and numeracy.

***Unemployment in the City Fringe Area of London, City Fringe Partnership, Jun 2003***

The key findings from this research look at the relationship between the economic opportunities arising from the City of London and the employment needs of local residents and the likelihood of the residential community benefiting from economic opportunities arising in the City.

The recommendations made by the City Fringe Partnership are as follows:

- Implement a strategy for training and employment provision at borough (LSP) level, particularly in Hackney and Tower Hamlets, extending the City Fringe area
- Concentrate provision on getting local unemployed into existing vacancies in the wider London job market
- Ensure that training and employment provision is demand led
- Enhance mainstream provision, in particular Jobcentre Plus, with additional funding streams for outreach, wage subsidies, and training to ensure progression routes into employment
- Develop high quality and specialist job brokerage (e.g. the 'Wildcat Model', New York City) for entry into City and other high value / growth sectors
- Tailor available training provision (higher and lower skills) to meet the needs of available jobs, and to ensure retention and progression in the work place
- Streamline local partnership structures, with joint planning and funding, and shared targets.

Local employment opportunities identified are anticipated by the study in a range of growth sectors, including construction, hospitality and catering, public administration education and the health and social care sector. Models for customised recruitment and training and specialised job brokerage should be developed to maximise job capture in these industries for local people.

Additionally the study identifies there are numerous funding opportunities to develop new job opportunities in the Social Enterprise sector in the City Fringe – in particular childcare and transport - providing transitional employment for the harder to help clients who would require a more supportive working environment.

Two of the main employment sectors in the city for City Fringe residents are security and industrial cleaning, whilst the majority of new vacancies sourced through the local Jobcentre Plus include basic clerical and administrative, sales, security, semi-skilled trades, plant operators and other elementary occupations.

The City Fringe Partnership believe there are so many existing job vacancies within the London labour market that many unemployed residents of the City Fringe would already have found employment, without the need for outside assistance, if they were able or willing to do so.

They also identify significant areas of duplication in funding sources for programmes tackling worklessness, which could be more effectively joined up at a strategic level.

### ***Voice of London Employers Survey, London First, Jul 2007***

This survey looks at the views of employers on employability and productivity/competitiveness. They explore what policy measures employers would like to see to improve the employability of London's residents and raise the city's competitiveness. The results are split by industry sector, size, type etc.

Employers value quality staff as the most important aspect of productivity. Large organisations also invest in training and smaller ones less so. It also identifies school leavers' unrealistic expectations about employment.

Employers also commented on the types of policy interventions that they wanted in order to find the best employees. Education was their priority and they did not feel that job brokerages gave them the employees they wanted. The document also looks at how policy can be changed to encourage productivity

### ***What Works with Tackling Worklessness, GLA Economics, Sep 2006***

This study looks at the successes and failures of labour market interventions and gives recommendations for best practice. This investigation into active labour market policies in tackling worklessness looks at four key types of initiatives: Help with job searches, Job Subsidies, Training and First Job creation.

Findings include that job search assistance's main impact comes through speeding up the process of finding work for those who would have found it anyway and is not sustainable for those who would not. Job subsidies, although expensive, enable people with greater disadvantages or barriers to work to take jobs that would otherwise be done by people who face fewer disadvantages. Training is expensive, slow to make an impact and often inappropriate but the direct involvement of employers helps to improve training's performance. Job creation does not improve employment chances and represents exceptionally poor value for money. The only exception to this is intermediate labour programmes.

The research finds that London has the most diverse group of workless people who require a diverse response and analyses the different groups in turn; disabled, young, old, lone parents and BMEs.

Programmes for adults are generally more effective than those aimed at young people under twenty-five. Most interventions for long-term sick and disabled people have not been shown to be effective. In addition to language training related to workplace usage, recent migrants benefit from advice and support on how the local labour market works. The limited UK evidence suggests that labour market programmes are less effective for people of black, Asian and other minority ethnic origin than they are for the white population.

The importance of job retention and progression is emphasised. Factors that help achieve this are identified:

- having an initial job which is stable, full-time and pays above the minimum
- having come into work following training rather than just help in job search having access to training either inside or outside the workplace
- having a nominated mentor in the workplace
- having access to ongoing support in resolving problems inside the workplace (e.g. relationships with colleagues) and outside (e.g. childcare breakdowns)
- having a financial cushion to cope with crises (e.g. transport or childcare problems)

## **Workspace Literature**

### ***Barker Review of Land Use Planning, Kate Barker, Dec 2006***

The review looks at planning policy and procedures can better to see how it can better deliver economic growth and prosperity alongside other sustainable development goals. It identifies that a slow and inconsistent planning process clearly has a negative impact on Inward Investment.

Sections of the document address increasing the responsiveness of the planning system at different spatial levels, managing growing demand for development land, improving the appeals system, delivering major infrastructure, streamlining the planning system, improving performance at local authority level and improving incentives.

Key recommendations include reforming business rate relief for empty property, exploring the options for a charge on vacant and derelict previously developed land, and, separately consulting on reforms to land remediation relief. A marked reduction in the extent to which sites are designated for single or restricted use classes could improve efficient site provision. Removing the need for minor commercial developments that have little wider impact to require planning permission (including commercial microgeneration);

These recommendations aim to help ensure that critical infrastructure is delivered in a timely manner, that small and medium-sized enterprises can access high-quality premises at affordable prices, that competition is promoted so that prices are driven down and quality improved, that high-tech clusters can expand and prosper, that businesses do not suffer unnecessary costs and delays in processing planning applications, and that inward investment is encouraged to support higher living standards and better job opportunities for people in all regions.

### ***The Demand for Premises of London's SMEs, London Development Agency, 2006***

This paper was written to inform London Development Agency's (LDA) new small and medium sized enterprises (SME) premises strategy. An analysis of supply and demand is conducted to see where there are market failures in the supply of SME premises, which could potentially be corrected by the intervention of the LDA and its partners.

The great majority of London's SMEs, across all land uses, are satisfied with their accommodation. Overall, just 6% of survey respondents say that their area and specific property fits the needs of the business 'not very well', or 'not at all well'.

The main advantages of business's locations are access for staff/owners, access to customers and good public transport facilities. The documents suggests that SMEs in London are buying especially high accessibility to an exceptionally large pool of potential customers and workers, at the cost of:

- relatively high prices and rents
- in some cases, putting up with property that is sub-standard as well as expensive
- in many cases, a longer and more difficult search for suitable property

Overall it says that the market is responding quite well and there is no need for intervention as it may distort competition or displace market based provision. However, non-market public services do sometimes fail, in that some of the most common problems relating to SME accommodation are high crime/poor security and a dirty, poorly maintained public realm.

They do suggest three areas of intervention. 1. For specialist client groups such as technology based start up and move on space who cannot create enough commercial value 2. Start up space in deprived areas 3. To prevent higher value activities like housing forcing out employment. They also say at micro level intervention is more accessible.

### ***Work Space Supply and Demand in the City Fringe, City Fringe Partnership (Renaisi & Ancer Spa), Apr 2003***

The study identifies to what extent the supply of workspace in the City Fringe is meeting demand. The study also provides commentary on specific industrial sectors namely, creative and cultural industries, manufacturing, and hospitality:

Small businesses continue to dominate the City Fringe; over 70% of businesses interviewed as part of the study employed less than 5 people. Companies identified proximity to the local customer base as significantly the most important factor for businesses operating in the City Fringe. Businesses are most concerned about the lack of parking and the impact of congestion charge on their operations. For those considering moving away from the area, the cost of rent and rates is by far the greatest push factor.



Despite a rise in demand for freehold premises, the profile of existing businesses still shows a major predominance of leasehold properties, perhaps suggesting a lack of freeholds available on the market.

There is still strong demand from small users, especially start ups. This demand is dominated by users seeking space at less than £15psf. Providers of workspace have identified that whilst there is currently a considerable amount of property on the market it is the wrong kind of space and not geared towards small workshop users. They also identified the lack of mid sized stock as a problem in that many incubators who outgrow incubator space have no where to move onto.

There are a number of affordable workspace providers across the City Fringe area including Cockpit Arts, Clerkenwell Green Association and Winkley Workspace. However, discussions with affordable workspace providers suggest that space is over subscribed. Such providers suggested that, whilst they are extremely keen to invest further in the area, prevailing freehold values prevent this from happening.

In terms of creative and cultural industries, workspace development needs to be typically in units of between 400sq ft and 1000sq ft. Efforts to secure manufacturers in the area should be in the area of high density, high value design orientated businesses rather than low density low value traditional manufacturing. The hospitality sector continues to grow extremely quickly. Opportunities for the City Fringe include the development of further retail, restaurant, bar, leisure, entertainment and tourism attractions in one or more focal locations to achieve a cluster effect. Specific retail and hotel development strategies would be appropriate.

Demand for freehold premises remains high. There are few freeholds on the market and what do exist are sold quickly. The freehold market is not reflecting achievable rents. Freeholds are frequently seeing an asking price of fifteen or twenty times what they could achieve in annual rent. This compares to a figure of ten to twelve times asking rent being a more traditional reflection of value. To some degree this identifies the hope value being put on property for residential and live/work uses.

There is a current mismatch between demand and supply. Whilst demand has fallen, there is still considerable demand for properties at less than £15psf. In 2002, 60% of demand fell into this price bracket. At the same time, only 8% of supply was available at this price.

They believe that the provision of affordable workspace should remain a key priority for the City Fringe Partnership and other regeneration and public funding bodies in the area.

## ***Top EC1 Sectors***

In the next section we look more closely at the Sectors classified by the Yellow Pages within these groups. Each sector was chosen because it was either in the top ten sectors in the area by total employment, or by total number of enterprises. Other sectors may be included out of special interest if they are seen to be particularly important to the research because they transfer specific benefits to the local area, through employment or other means or they have a particular relationship to the planning system.

Each sector will be analysed statistically and qualitatively in order to provide an overview for the report. Each sector will be described, its story will be analysed over the last ten years and prospects through the recession will be evaluated. All sectors will then be looked at in terms of employment and planning for the purposes of this report.

## **Advertising and Design**

Advertising and Design accounts for 707 of the 15,000 service industry group employees in the EC1 area across 42 enterprises.

Public Relations Consultancies employ over 200 people and advertising agencies employ 80, both in organisation sizes of around 15 people on average. One telemarketing firm, Pell and Bales Ltd employs 200 people and is the only such firm in the area. Advertising and Graphic Designers are well represented in the area with 15 enterprises but these only employ 65 people in total as a lot of these are micro organisations.

### Story

The Advertising and Design Sector has seen a very slight increase in the number of businesses in the area, however employment has grown by over 50% in the last 10 years in the group due to a growth in the number of small (10-50 employee) businesses in the area.

### Future/Recession

Experience suggests that advertising and design services suffer during a recession as overheads are reduced by companies under pressure.

### Employment

Skills vary within the sector. Small advertising and design companies are unlikely to offer much in the way of low skilled employment. Larger telemarketing firms are a more likely source of employment.

### Planning

Advertising and Design companies commonly require a B1 office use. The average size of the firm is quite small and they would require a small space (less than 2000 sqft) on the whole but some large companies are part of the sector.

## **Business Organisations and Consultants**

Business Organisations and Consultants employ over 1200 people in the area within 71 enterprises in the EC1 area.

Employment Agencies and Consultants are the larger sub-group employing 300 people. A variety of sub-group consultancies employ around a hundred people each including, computer consultants, management and business consultants, marketing and advertising consultants, project management services, conference and event management and business enterprise agencies.

### Story

This sector has remained very stable over the last 10 years in terms of employment, enterprises and size.

### Future/Recession

Consultancy costs, like those in advertising and design are likely to be cut during the recession. However, where there is an opportunity to cut costs by outsourcing to agencies and consultancies businesses may flourish.

### Employment

Consultants tend to be highly skilled however there may be ancillary roles

### Planning

Business Organisations and Consultants typically require B1 space. The average size of each enterprise is 17 people suggesting they require small spaces but larger than the micro businesses (1000-3000 Sqft). Some A2 uses required for employment agencies.

## Education

Education qualified as a top sector by virtue of the 35 enterprises in the EC1 area but not the 658 employees which left it just outside the top 10 sector by employees. Schools and Colleges make up roughly a third of this employment while Training Services and Computer Services together make up almost half. You would expect this level of public sector demand for education but the high levels of private training are most likely the result of a city fringe location and the demand from the city for training provision.

### Story

Education has seen significant growth in both EC1 NDC and the City Fringe albeit from a small base of 22 firms in EC1. In the City Fringe it has approximately doubled in terms of employment and enterprise and EC1 has seen a further 13 firms locate to the area. Training Services and in the EC1 NDC area have grown from 1 to 10 firms and account for much of the growth.

The City Fringe itself has seen strong growth across almost all areas of education including Careers Advice, Computer Training, Driving Schools, Educational Services, Further Education, Language Courses and Schools, Playgroups & Pre-School, Schools and Colleges, Independent Schools and Colleges, Training Services and Tutoring. Overall these account for an extra 265 firms and shows that the City Fringe is a very popular location for education providers, possibly because of relatively cheap rents, close proximity to firms who require training provision and opportunities to build personalised space in new developments.

### Future/Recession

There is an argument that education will not suffer in the downturn due to those recently being laid off going into education. There is also significant public investment in closing the skills gap in the UK and as such the sector is likely to be fairly resilient. Some education services will suffer if they do not diversify as demand for their qualifications in the wider economy decreases.

### Employment

Some education services will have large ancillary work requirements and most will require a team of administrative staff to organise the operations alongside the trainers themselves.

### Planning

Education commonly requires a D1 land use classification and as such often require specific planning consents in order to flourish as opposed to the more wide spread B1 space.

## **Film and Photographic**

Film and Photography falls within the service industry group. This sector qualifies as a top sector due to the 30 enterprises in the area but falls far short in terms of employment with just over 200 employees. Roughly half of the sector is made up of Commercial Photographers while the majority of the remainder are employed within TV and Film Production.

### Story

Over the last 10 years the sector has shrunk in terms of both enterprise and employment, the former by approximately 25% and the later by over 50%. The only area of the sector to have grown in the last 10 years are the small firms (10-50) however, they started from a very low base and in actual terms have only grown by three firms. This decline is also repeated in the City Fringe but not in London where sub sectors such as Commercial Photography have remained stable while General Photographers and TV and Video Producers have grown considerably. This suggests a movement away from the City Fringe but a retention within London. One explanation could be increasing rents pushing out price sensitive photographers but this needs verification.

### Future/Recession

Demand for photographic services is likely to decline with the overall recession. However, commercial photography is a fast evolving and dynamic industry closely related to technological innovation. As such opportunities may exist in other areas.

### Employment

Overall there is very low average size per enterprise. Employment is most likely made of photographers themselves.

### Planning

Commercial Photographers commonly require a B1 land use. The average size of firms is small and only small premises are required (below 2000 sqft).

## Financial

The financial sector is the largest sector in the EC1 NDC area and is larger in terms of employment than any of the other higher level industry groups, larger than even the total manufacturing employment in the area. Overall it makes up over 15% of the total economy in terms of enterprises. This is clearly a result of overlap from the square mile, and particularly Finsbury Square falling within the EC1 Boundary.

The main employers are Banks and Financial Institutions, Stockbrokers and Investment & Trust Companies. The remainder of employment is made up by Financial Advisors, Mortgages and Accountants. The size of the firms varies between these sub-groups and accounts for their varying employment numbers; the first three employ between 40-80 people per firm where as the later 3 employ between 10 and 25.

There is one Bank & Financial Institution that employs 1000 people but cannot locate due to PO Box issue. The Stockbroker, Interactive Data employs 500 people on Epworth Street just off Tabernacle Street in the south of the NDC. Invesco Perpetual is an Investment Company also located in this area that employs 300 people.

### Story

The number of firms has grown in actual terms by just 20 enterprises in the last 10 years, most of these in the micro (1-10) and medium (51-250) size ranges. Employment has only grown by about 200 people and this can be explained by varying performance within the sector. The number of accountants has increased by 5 firms and 150 jobs while banks and financial institutions have shed almost 1000 jobs despite retaining roughly the same amount of firms. Investment and Trust companies have added roughly 250 jobs while Stockbrokers have added 500 despite reducing in number of firms from 18 to 13.

### Future/Recession

Clearly the financial sectors future looks very bad at present. If various fiscal interventions are successful the financial services sector is likely to bounce back albeit in a more regulated and risk averse form. If it does not then a fundamental restructure will most likely take place in the industry after a long period of decline that significantly damages the wider economy.

### Employment

Highly skilled but with a large number of ancillary roles. See City Fringe Employment report in Literature review.

### Planning

Generally requires relatively large (over 4000 sqft) high specification B1 use in a central and prestigious location. Some A2 uses for Banks and Building Societies

## Hotels & Restaurants

The Hotels and Restaurants Sector falls within the Retail and Consumer industry group and is the only sector from this group to make it into the top list. Hotels and Restaurants employ over 700 people across 70 enterprises in the EC1 area. 140 of these are split across just two hotels (The main one being the Thistle Hotel Barbican) while around 400 are split across various types of restaurants and bars.

### Story

The number of enterprises has grown over the last 10 years roughly in line with benchmarked growth across the City Fringe, Islington, London and the UK. In actual terms 12 new enterprises are now in the EC1 area however the number of employees in this group has fallen while it has grown considerably elsewhere over the last 10 years. There has been an overall shrinking in the number of employees per enterprise, the average is currently around 10 per enterprise but was closer to 18 in 1999.

This performance does not compare brilliantly with the City Fringe that has seen a 37% growth in enterprise and 64% growth in employment since 1999, underlining its emerging role as a hospitality destination.

A closer analysis reveal that a large hotel (464 employees) left the area in 2006 but both micro and small businesses have grown in number in the area. The sector has remained relatively stable overall but what appears to have occurred is reasonable growth in both restaurants and cafes that has been offset by the closure of this hotel.

### Future/Recession

Hotels and Restaurants are growing significantly in the East of London and will likely have some insulation from the recession from the investment in infrastructure in the area, not least the Olympics. However, a reduction in spending in the economy could seriously damage hotels and restaurants. Problems accessing finance for restaurants could also cause a number of closures

### Employment and worklessness

Hospitality such as Hotels and Restaurants are generally considered to offer good entry level i.e. low skilled, employment opportunities.

### Planning

Most of the businesses in this sector require a A3 uses while Hotels require C1. Planning issues with the sector often occur around opening hours and licensing issues.



## Information

Information services account for over 1000 employees in the EC1 area, within just 25 enterprises. 825 of these employees fall into the sub category of Market Research and Analysis, two large Press Cutting Agencies account for a further 270 employees. The largest employer in Market Research and Analysis is TNS PLC, employing 300 people just north of Finsbury Square. The National Centre for Social Research employs 300 people in Northampton Square beside City University and a firm called Retail Knowledge Bank employs 350 people on Bowling Green Lane in the West of the EC1 area (Two have recently moved into the area in the latest statistics hence the discrepancy).

### Story

The sector has remained largely stable in terms of the number of firms although this masks some change within sub-sectors. While the Market Research and Analysis sub-sector has grown Information services have shrunk in almost equal proportions. In terms of employment there has been an overall decline caused by the loss of an Information Services company that employed 1300 people, aside from this employment has largely remained stable.

### Future/Recession

Many Market Research firms are linked to the large financial market in the area and may suffer relatively badly. However, many of the firms are quite large and as such may survive through cost cutting.

### Employment

Market Research employs many highly skilled workers however the size of the firms suggests large numbers of ancillary workers.

### Planning

This sector on the whole requires large B1 offices (over 4000 sqft) in the South East of the NDC.

## Legal

The Legal Sector employs nearly 1000 people in the EC1 area across just 25 enterprises. Almost all of these enterprises and employment is made up by Legal Services and Solicitors. These firms are medium sized, and particularly large for this area, employing between 40-60 people each.

### Story

Overall the number of enterprises has fallen from 35 to 25 over the last 10 years. However employment is estimated to have grown due to an increase in the number of medium sized businesses in the area. Overall Legal Services and Solicitors, the two main sub-sectors in the area, have declined in terms of firms but increased in employment terms. In Legal Services this is due to a number of medium sized companies replacing or growing from the small and micro businesses located here in 1999. The Solicitors have seen an overall decline save for one medium firm with 200 employees locating to the area.

### Future/Recession

Similar to Information services the legal sector is likely to suffer with the decline of Finance and related requirements for legal services related to transactions, contracts etc. The firms are similarly large and those with robust business models may survive through cost cutting exercises

### Employment

Legal employs many highly skilled workers however the size of the firms suggests large numbers of ancillary workers.

### Planning

This sector on the whole requires large B1 offices (over 4000 sqft) in the South East of the NDC.

## Office and Computer Equipment

The Office and Computer equipment industry is the only sector within the manufacturing industry group to make it into the Top EC1 Sectors. The Publishing sector was close, employing over 600 people in the area mainly in the Newspapers and Magazine and Publishing itself, but it did not make it. The Print industry with such a long history in this area, has shrunk so much that it now only employs just over 300 people and is no longer a prominent sector.

This Office and Computer Equipment Sector employs approximately 1666 people in the EC1 area and is made up of over 43 businesses. Computer Software development accounts for half of these employees with computer software sales being a related, but smaller (142 employees) sub group. This sub-sector has grown from 0 businesses in 1999 to 26 businesses in 2008, the vast majority of which are small (11-50 employees) and can rightly be considered a growth cluster. Most of the remaining jobs (626) are spread between two large internet services companies, the main being Sporting Bet PLC that employs 400 people by Old Street Roundabout.

### Story

The UK has the largest Software and IT Services sectors in Europe. The IT sector as a whole continues to grow, with employment increasing at five times the UK average<sup>11</sup>

The number of enterprises in the sector as a whole has not grown significantly in ten years despite the growth of over 35% across the other benchmarked areas (City Fringe, Islington, London and UK). However, the number of employees in the sector has grown by over 60% and in line with growth across the UK, London and Islington.

The story has been mixed amongst the YP Classifications; there were no Computer Software developers in the area in 1999 and now there are 26, clearly a growing sector. However, this growth has been leveled out by falls in Computer Software Sales(18-5), there has also been a fall from 15 to 1 in Computer Systems.

### Future/Recession:

UK's National Outsourcing Association predicted that businesses will look to outsource "high-value-add functions" such as business processing, application development and IT operations, adding that the industry will be boosted by "organisations looking to become more efficient and minimise their risk exposures" by outsourcing.

The challenge for the IT sector will be to respond quickly to changing demands and an increasingly global marketplace. For agile businesses the rewards could be great.<sup>12</sup>

### Employment:

The nature of software development suggests that this is a relatively high skilled industry. Average employment is around 40 employees per company which is above average and suggests reasonable numbers of ancillary roles.

### Planning:

Generally require B1 space and there may be the opportunity to offer the sector additional communications infrastructure.

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<sup>11</sup> BERR

<sup>12</sup> Computerweekly.com, 'Credit Crunch changes outsourcing market'

## Office and General Services

There are over 50 enterprises that employ around 1600 people in EC1 NDC that fall within the Office and General Services Sector. Almost half of this employment is from large telecommunication enterprises that locate in the EC1 NDC. This could be considered to constitute a cluster as, although there are only 10 firms, over 750 employees are within a small area. Other large employment subgroups are Office Fitters, Computer Services and Security Services and Equipment. These highlighted sub groups tend to be medium in size (11-50).

### Story

This Sector is clearly related to the large office market on its doorstep. As such it can be seen as successfully tapping into the City's supply chain. Price and quality were listed as the main decision drivers for procurers in the city<sup>13</sup> and it is possible that these firms are either obtaining a competitive advantage in cost cutting through a close location or are able to improve the quality of their service due to their close proximity.

The number of firms has grown by around 20% and 10 firms in actual numbers. There is no distinct size difference over time. The number of computer services firms has shrunk by more than half from 14 to 7 while there has been strong growth in web design (0 to 10 firms) and telecommunications services (2 to 9 firms). Employment figures remain largely the same in Computer Services with Internet Web Design contributing just 60 employees compared to the 720 additional employees from telecommunications services.

### Employment

This is a very large sector in the local economy and the firms are of a large size suggesting a number of ancillary roles that may offer entry level employment.

### Planning

The majority of firms require medium to large B1 offices (2000 sqft plus).

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<sup>13</sup> City Supply Chain

## **Property**

Property employs around 750 people in the EC1 NDC area and is location to 42 enterprises in this sector. The vast majority of these are made up of architects firms. Property Developers, Surveyors & Valuers and Property Managers employ around 50 people in total. Perhaps surprisingly there are only 3 Estate Agencies given the larger numbers nearby.

### **Story**

This sector is clearly closely related to the property boom in the South East of England, London itself and the East End. The pace of development has been swift up until now and the number of firms in the area has nearly doubled while employment is estimated to have trebled.

The number of architecture firms can certainly be considered a cluster in the area. The property sector has seen particular growth in Architects, although a number existed in 1999, and property management which has gone from 1 to 8 firms. Slight growth has also been seen in related industries of Estate Agents and Surveyors and Valuers. The number of Property Managers has remained stable at 5.

### **Employment**

The relatively small size of firms and high levels of training involved in architecture and other related field, other than estate agents, suggests a low level of entry level jobs.

### **Planning**

Property generally requires B1 uses although some A2 uses are required. Generally offices are small (below 2000 sq ft)

## Social

The EC1 NDC area is home to 45 Charitable and Voluntary Organisations that employ over 800 people. This makes up the vast majority of the 55 enterprises classified within the Social sector.

### Story

These high numbers are largely unsurprising given the level of deprivation in the area combined with relatively cheap rents. Charities working both in the immediate area and beyond are likely to be attracted to the destination.

There has been a slight growth in both employment and enterprises over the last 10 years and an increase in the average size of charities. Charities have almost doubled in number and employment terms since 1999. This may be a result of the destination becoming more established for this sub-group and various agglomeration advantages and increase confidence from businesses.

### Future/Recession

One in four charities has suffered a fall in donations in the last year as the credit crunch bites, according to the Charities Commission.

The fall in donations comes as demand for services offered by charities is escalating. One in five charities say they are under pressure to deliver more services than a year ago. Those offering advice on debt, mortgage arrears and relationship counselling are most under pressure.

The survey also found one in 12 of the charities which reported a decrease in donations said they have already made redundancies as a direct result.<sup>14</sup>

### Employment

The sector is made up of a few very large firms coupled with a number of micro charities. Entry level opportunities do exist in these large firms and most likely voluntary/work experience positions.

### Planning

Charity and Voluntary Services commonly locate in small B1 office space (below 2000 sqft). However those that deliver services on site may also require D1 space.

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<sup>14</sup> Times Online October 2008